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Protection for databases : the European Database Directive and its effects in the Netherlands, France and the United Kingdom

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4 | The *sui generis* right

4.1 INTRODUCTION

The main purpose of the Database Directive was to introduce the *sui generis* right, or database right as it is called in the Netherlands and the United Kingdom. In this chapter, we chose to concentrate on the most important concepts that characterise this new right, namely the requirement of a substantial investment, the producer, the scope of the *sui generis* right, the substantial part, and the right's exceptions. For this, we studied the interpretations which were given to these concepts by the legislators in the Netherlands, France and the United Kingdom on the occasion of the Directive's implementation. Furthermore, ample use was made of the literature in these countries and the national case law which has so far developed under the Directive's regime. Occasionally, we will also refer to the implementing legislation and case law in Germany and Italy. The findings will be set against four closely related important decisions issued on database law by the European Court of Justice in 2004.¹

4.2 THE REQUIREMENT OF A SUBSTANTIAL INVESTMENT

4.2.1 Introduction

A database needs to represent a substantial investment in order for it to be protected by the *sui generis* right, according to article 7 of the Directive. It determines that this investment should be substantial in a qualitative and/or quantitative way and must have gone into either the obtaining, verification or presentation of the contents. The production of a database thus involves various sorts of costs incurred in various phases of its production. In the following, these sorts of investments will be discussed in detail.² Subsequently,

1 European Court of Justice 9 November 2004, cases C-46/02 (Fixtures Marketing Ltd v. Oy Veikkaus Ab); C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd); C-338/02 (Fixtures Marketing Ltd v. Svenska Spel AB); and C-444/02 (Fixtures Marketing Ltd v. Organismo Prognostikon Agnon Podosfairou AE (OPAP)).

2 Recital 7 declares that the making of a database requires the investment of considerable human, technical and financial resources.

we will address the level of the investment required: when is an investment substantial enough to qualify for protection by the *sui generis* right?

4.2.2 Quantitative and qualitative investments

The required substantial investment in the database may be evaluated quantitatively and/or qualitatively according to the Directive. A quantitative investment may relate to the amount of money spent on the making of the database or to the quantity of the data collected, verified and/or presented. Next to financial investments, the expenditure of time, effort and energy also counts. Such investments, which take into account special know-how or expertise, may be considered to be of a qualitative nature. The European Court of Justice has indeed established in 2004 that the quantitative assessment refers to quantifiable resources and the qualitative assessment to efforts which cannot be quantified such as intellectual effort or energy in accordance with the Directive's recitals 7, 39 and 40.³

Van Eechoud expresses doubts as to whether, besides quantity, quality has independent significance. In her opinion extensive expertise, innovation, or obtaining data with great effort can all be quantitatively valued.⁴ With databases made at home in one's spare time or made by a self-employed person, fictitious salary costs can arguably be charged for know-how or expertise.⁵ Nevertheless, the quality criterion could prove useful as a safety net. As Hagen suggests, it may demonstrate the substantiality of the investment in specific expert work that is cheap and does not cost much time or effort.⁶

3 European Court of Justice 9 November 2004, cases C-46/02 (Fixtures Marketing Ltd v. Oy Veikkaus Ab), ECR 2004, p. I-10365; C-338/02 (Fixtures Marketing Ltd v. Svenska Spel AB), ECR 2004, p. I-10497; and C-444/02 (Fixtures Marketing Ltd v. Organismoa Prognostikon Agnon Podosfairou AE (OPAP)), ECR 2004, p. I-10549. Also compare the WIPO Draft Database Treaty which states in art. 2(iv): "substantial investment" means any qualitatively or quantitatively significant investment of human, financial, technical or other resources in the collection, assembly, verification, organization or presentation of the contents of the database'. The accompanying note 2.07 explains: '(...) The investment may be in human, financial, technical or other resources essential to the production of a database. The human resources may, in addition to the "sweat of the brow", consist of the contribution of ideas, innovation and efforts that add to the quality of the product. The protection of a database does not, however, depend upon innovation or quality; mere investment is sufficient.' See Appendix 2.

4 See her annotation on President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *Mediaforum* 2000/11-12, p. 397. Leistner 2000, pp. 156-162 made several suggestions as to how to interpret quality in relation to a substantial investment.

5 Also see Derclaye 2005, p. 5. In our opinion, such expertise should be valued in terms of intrinsic cost instead of current cost. For example, art historians are generally paid less than lawyers, but this should not have the effect that databases belonging to the field of art history qualify for the *sui generis* right less often.

6 Hagen 2002, p. 12.

In the same sense, Leistner convincingly states that next to the main criterion of quantity, quality is to be seen as a supplementary criterion.⁷

4.2.3 Investments in obtaining

4.2.3.1 *The obtaining phase and the spin-off theory*

The investments required by the *sui generis* right must concern the obtaining, verification or presentation of the content. These three elements are listed alternatively so that a substantial investment in either the obtaining, verification or presentation is eligible for the *sui generis* right, while the same is true for investments in a combination of these phases. Firstly, we will discuss the obtaining phase.

Acquiring content for a database can be done in many ways, which involves different costs. The contents may be created by the database producer himself, it may be bought or otherwise obtained from one source, or collected from several different sources.⁸ Frequently, a mix of these procedures will be at issue. However, the European Court of Justice made it clear in 2004 that not all such costs may count towards the required substantial investment.⁹ The Court's position that creation costs must be excluded was foreboded by the so-called 'spin-off theory'. This theory had developed in several countries but most prominently in the Netherlands, both in the literature and case law.¹⁰ The spin-off theory will be discussed here first, as it is still useful for a better understanding of the purport of the European Court's 2004 decisions.

⁷ Leistner 2000, p. 162.

⁸ In the same sense European Court of Justice 9 November 2004, case C-444/02 (Fixtures Marketing Ltd v. Organismoa Prognostikon Agnon Podosfairou AE (OPAP)), consideration 25: 'For the purposes of determining whether there is a database within the meaning of the directive, it is irrelevant whether the collection is made up of materials from a source or sources other than the person who constitutes that collection, materials created by that person himself or materials falling within both those categories.'

⁹ Cases C-46/02 (Fixtures Marketing Ltd v. Oy Veikkaus Ab); C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd); C-338/02 (Fixtures Marketing Ltd v. Svenska Spel AB); and C-444/02 (Fixtures Marketing Ltd v. Organismoa Prognostikon Agnon Podosfairou AE (OPAP)). They will be discussed in section 4.2.3.7.

¹⁰ The spin-off theory was extensively dwelt upon by Hugenholtz 2002-I, while Derclaye 2004-II provided an international overview of opinions and case law on the theory.

4.2.3.2 The emergence of the spin-off theory in the Netherlands

The spin-off issue was first identified by the Court of Appeal of Arnhem in a case on a telephone directory in 1997,¹¹ which was before the Database Directive was transposed in the Netherlands.¹² It was subsequently introduced in the Dutch political arena through questions which Members of Parliament put to the Minister of Justice in October 1998 during the Dutch implementation process.¹³ The Members of Parliament in question asked whether the substantial investment should *primarily* be aimed at the obtaining, verification or presentation of the database contents. To illustrate this, they questioned the substantial investment put in a – presumably short¹⁴ – list of Dutch restaurants with one or more Michelin stars, in a short list of newly discovered stars (obtained by investments in a telescope or a spaceflight), and in TV listings. The Minister of Justice answered that, in his opinion, a substantial investment is only at issue when the investment is primarily aimed at producing the database. In his view, this is not the case with the Michelin list and the list of stars. He argued that the investments by Michelin are aimed at awarding its stars and not at making a list of the awarded restaurants. In the second case, the investment concerns the research by way of a telescope or a spaceflight and is primarily aimed at discovering new stars, not at drawing up a list of them. With respect to the TV listings, the Minister was of the opinion that if TV programming information should indeed be considered a spin-off of the programming process, then a substantial investment is absent. However, he pointed out that this is for the courts to decide on the basis of the facts at issue.¹⁵

The Dutch spin-off theory applies to the situation where a company already disposes of the data necessary for the database as a result of its main activities, while the production of the database is arguably an additional activity. This theory implies that a database which is produced as a spin-off¹⁶ – or a by-product – of the producer's activities may well lack a substantial investment.

11 Since the Directive had entered into force in 1996, the court was obliged, according to European case law, to interpret existing national law in accordance with the Directive. Also see section 1.5.17.

12 Court of Appeal Arnhem 15 April 1997 (Denda v. KPN & PTT Telecom), *Mediaforum* 1997/5, p. B72; *Informatierecht/AMI* 1997/10, p. 214; *CR* 1997/6, p. 314 note H. Struik. The Court of Appeal rejected the spin-off argument put forward by the claimant Denda.

13 Verslag, Kamerstukken II 1998/99, 26 108, no. 5, pp. 4-5.

14 Whereas the Members of Parliament believed only 10 Dutch restaurants had one or more stars, the Netherlands did in fact have 78 such restaurants in 2006 (three have been awarded the maximum of three stars).

15 Nota naar aanleiding van het verslag II 1998/99, 26 108, no. 6, p. 5.

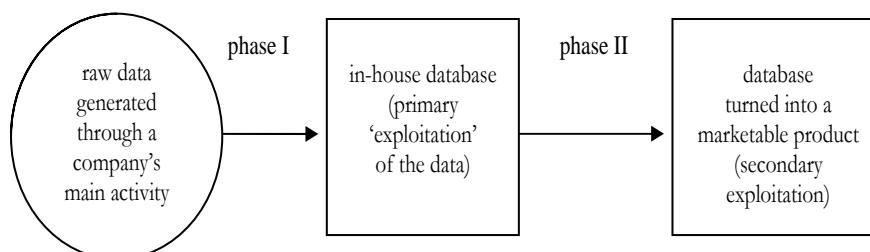
16 The *Oxford English Dictionary* defines spin-off as: 'A by-product, an incidental development, side-effect, or benefit; the production or accrual of side-effects or indirect benefits (...)'.

4.2.3.3 *The spin-off theory in Dutch case law*

Several examples of alleged spin-off databases have come up in Dutch case law. They include analogue or digital telephone directories produced by a public telecom operator,¹⁷ computer listings of TV programming information by broadcasting corporations,¹⁸ an Internet version of a traditional newspaper,¹⁹ and an Internet version of a database maintained internally among estate agents containing data of property for sale.²⁰ In these cases, the defendants, who were accused of infringing the *sui generis* right, denied the presence of a substantial investment in the claimant's obtaining of the data. They argued that the data were not generated especially for the production of the database at issue.

The production of an alleged spin-off database may perhaps be illustrated by the following diagram:

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- 17 Court of Appeal Arnhem 15 April 1997 (Denda v. KPN & PTT Telecom), *Mediaforum* 1997/5, p. B72; *Informatierecht/AMI* 1997/10, p. 214; CR 1997/6, p. 314 note H. Struik. Action on the merits: District Court Almelo 6 December 2000 (KPN v. Denda), *Mediaforum* 2001/5, p. 177 note A. Beunen; *Informatierecht/AMI* 2001/3, p. 69 note H. Cohen Jehoram. President District Court The Hague 29 June 1999 (KPN v. XSO), *Mediaforum* 2000/2, p. 64 note P.B. Hugenholtz; *IER* 2000/2, p. 72 note F. Grosheide; *Informatierecht/AMI* 2000/4, p. 71, note A. Beunen p. 58; CR 2000/3, p. 154 note B. Aalberts and M. Schellekens.
 - 18 This concerns one case decided in several instances: Dutch Competition Authority 10 September 1998 (De Telegraaf v. NOS and HMG), *Mediaforum* 1998/1, p. 304 note P.B. Hugenholtz; *Informatierecht/AMI* 1999/1, p. 12. President District Court The Hague 5 January 1999 (NOS e.a. v. De Telegraaf), *Informatierecht/AMI* 1999/2, p. 22. Court of Appeal The Hague 30 January 2001 (De Telegraaf v. NOS e.a.), *Mediaforum* 2001/2, p. 90 note T. Overdijk; *Informatierecht/AMI* 2001/3, p. 73 note H. Cohen Jehoram. HR 6 June 2003 (NOS v. De Telegraaf), *AMI* 2003/4, p. 141 note K. Koelman. Dutch Competition Authority 3 October 2001 (De Telegraaf v. NOS and HMG), *Mediaforum* 2002/2, p. 69 note R. Mahler. District Court Rotterdam 11 December 2002 (NOS and HMG v. NMa), *Mediaforum* 2003/2, p. 73 note R. Mahler. College van Beroep voor het Bedrijfsleven (Trade and Industry Appeals Tribunal) 15 July 2004 (NOS v. NMa), *AMI* 2005/2, p. 72 note J. Houdijk.
 - 19 President District Court Rotterdam 22 August 2000 (Dagbladen v. Eureka), *IER* 2000/5, p. 268 note E. Arkenbout; CR 2000/5, p. 259 note H. Struik; *Informatierecht/AMI* 2000/10, p. 57 note K. Koelman; *Mediaforum* 2000/10, p. 344 note T. Overdijk.
 - 20 President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *Informatierecht/AMI* 2000/9, p. 191 note T. Overdijk; *Mediaforum* 2000/11-12, p. 395 note M. van Eechoud; CR 2000/6, p. 297 note H. Struik. Court of Appeal The Hague 21 December 2000 (De Telegraaf v. NVM), *Mediaforum* 2000/2, p. 87 note M. van Eechoud; CR 2001/2, p. 89 note H. Struik; *Informatierecht/AMI* 2001/3, p. 70 note H. Cohen Jehoram. HR 22 March 2002 (NVM v. De Telegraaf), *Mediaforum* 2002/5, p. 174 note T. Overdijk; *AMI* 2002/3, p. 88 note D. Visser; *IER* 2002/4, p. 150 note H. Speyart; *JAVI* 2002/1, p. 25 note B. Lenselink; CR 2002/3, p. 161 note H. Struik.



The process starts with raw data being generated in the slipstream of a different main activity. In phase I the obtained data are compiled in an internal database for in-house use, by feeding them into database software (or adding a systematic or methodical arrangement by hand for non-electronic databases), and possibly updating/verifying the data and/or giving them a specific presentation.²¹ The costs required for making this internal database will, however, be insignificant compared with the costs involved in phase II. In that phase, the internal database is turned into a marketable end-product to be made available to the public. This version of the database thus needs to have an attractive presentation, must have a user-friendly interface and its data should be correct and up to date,²² which all requires substantial (additional) costs. Following the spin-off theory, the phase I database arguably comes about merely as a by-product of the company's different main activity.²³ It lacks a substantial investment as the only investments that count are those directly aimed at the database production. For a marketable version of this internal database, however, additional investments are made for the verification and presentation of its data, so that such a database may still meet the substantial investment threshold.

The databases figuring in the Dutch case law concerned unpublished in-house databases as well as marketable end-products made available to the public (on paper, CD-Rom or the Internet). The defendants invoked the spin-off theory for both primary and secondary exploitation of the data obtained. Several defendants argued that the marketable database at issue was only a

21 In practice, the phases of obtaining the data and of their collection in a database sometimes coincide.

22 However, these costs may in specific cases already have been incurred in phase I. This is true for in-house databases that are regularly being updated, such as a telecom operator's database with subscriber data.

23 One could, however, question whether databases which contain raw data for internal use are merely by-products. Examples are databases with subscriber information maintained by telecom operators, listings of TV programming information from broadcasting corporations, or timetables of public transport companies. Arguably, these are all internal databases which directly derive from the main activity of these companies and are essential for the companies to function well.

spin-off of the internal database, so that the data's obtaining costs should not count towards the marketable version.²⁴ However, the Arnhem Court of Appeal rejected this view as early as 1997 and declared that the Database Directive does not distinguish between primary and secondary exploitation of databases. Furthermore, its judgment seems to imply that the costs incurred for the internal database (containing telephone subscriber data), including the obtaining costs, may be attributed to its marketable version (the paper directory).²⁵

The Dutch Supreme Court seems to have taken a similar stance in March 2002. Its judgment concerned a large database with property for sale, which started as an internal network among estate agents but was put on the Internet later.²⁶ According to the Supreme Court, the Dutch Databases Act does not require the exclusion of costs that have been incurred, for example, in collecting and arranging the data, irrelevant of whether and when they are put on the Internet. It held that the spin-off theory lacks relevance in this context, because neither the Directive nor the Databases Act sustains the approach that when a database is used for several aims, a substantial investment must be demonstrated for every aim.²⁷ It continued that even if it would be correct that the data incorporated in the database already served the main activities of the estate agents, this does not exclude that this database, when it becomes available to the public on the Internet, can also be eligible for protection under the Directive and the Databases Act. The Supreme Court furthermore held that the costs incurred concerning the internal database network, such as for the hardware newly bought by the estate agents, may not be excluded as costs irrelevant for the Internet version of the database. This judgment has been read as an overall rejection of the spin-off theory by some commentators, but by others as a rejection which only applies to this specific case.²⁸ It could indeed be thus read that costs incurred in making an internal database for one's own use, including generation costs, may count towards its secondary

24 This argument was successful in President District Court Rotterdam 22 August 2000 (*Dagbladen v. Eureka*) and Court of Appeal The Hague 21 December 2000 (*De Telegraaf v. NVM*). However, it was unsuccessful in Court of Appeal Arnhem 15 April 1997 (*Denda v. KPN & PTT Telecom*), District Court Almelo 6 December 2000 (*KPN v. Denda*) and HR 22 March 2002 (*NVM v. De Telegraaf*).

25 Court of Appeal Arnhem 15 April 1997 (*Denda v. KPN & PTT Telecom*), para. 4.3.9.

26 HR 22 March 2002 (*NVM v. De Telegraaf*), *Mediaforum* 2002/5, p. 174 note T. Overdijk; *AMI* 2002/3, p. 88 note D. Visser; *IER* 2002/4, p. 150 note H. Speyart; *JAVI* 2002/1, p. 25 note B. Lenselink; *CR* 2002/3, p. 161 note H. Struik.

27 HR 22 March 2002 (*NVM v. De Telegraaf*), para. 3.4.1. Advocate General Spier seems to follow a similar approach in paras. 4.38 and 4.40 of his conclusion where he stated that the Court of Appeal in applying the spin-off theory had incorrectly made a distinction between the internal database and the database exploited on the Internet. In his view, the Internet database was not a spin-off of the internal database. Instead, there was only one database, which was exploited in different ways.

28 See the following subsection.

form of exploitation, which would mean a general dismissal of the spin-off theory.²⁹

All in all, the Dutch courts have reacted diversely to the spin-off theory. Generally, the amount of judgments in which the theory was rejected altogether³⁰ roughly balance out those in which it was sustained (two of which were delivered by the same Court of Appeal).³¹ Since the European Court of Justice delivered its important judgments in 2004,³² the Dutch courts appear to have replaced the spin-off theory by the Court's approach.³³

4.2.3.4 The spin-off theory in the Dutch literature

Outside the Dutch courts (and before the European Court delivered its 2004 judgments) the spin-off theory was widely supported in the Netherlands.

29 This approach was also supported in the judgment of the District Court of Almelo on telephone directories. See District Court Almelo 6 December 2000 (KPN v. Denda), *Mediaforum* 2001/5, p. 177 note A. Beunen; *Informatierecht/AMI* 2001/3, p. 69 note H. Cohen Jehoram.

30 After the Directive's entry into force but before its implementation in the Netherlands: Court of Appeal Arnhem 15 April 1997 (Denda v. KPN & PTT Telecom), *Mediaforum* 1997/5, p. B72; *Informatierecht/AMI* 1997/10, p. 214; CR 1997/6, p. 314 note H. Struik. Action on the merits: District Court Almelo 6 December 2000 (KPN v. Denda), *Mediaforum* 2001/5, p. 177 note A. Beunen; *Informatierecht/AMI* 2001/3, p. 69 note H. Cohen Jehoram. President District Court The Hague 29 June 1999 (KPN v. XSO), *Mediaforum* 2000/2, p. 64 note P.B. Hugenholtz; *IER* 2000/2, p. 72 note F. Grosheide; *Informatierecht/AMI* 2000/4, p. 71; Beunen 2000, p. 58; CR 2000/3, p. 154 note B. Aalberts and M. Schellekens. President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *Informatierecht/AMI* 2000/9, p. 191 note T. Overdijk; *Mediaforum* 2000/11-12, p. 395 note M. van Eechoud; CR 2000/6, p. 297 note H. Struik. Arguably, HR 22 March 2002 (NVM v. De Telegraaf), *Mediaforum* 2002/5, p. 174 note T. Overdijk; *AMI* 2002/3, p. 88 note D. Visser; *IER* 2002/4, p. 150 note H. Speyart; *JAVI* 2002/1, p. 25 note B. Lenselink; CR 2002/3, p. 161 note H. Struik.

31 President District Court Rotterdam 22 August 2000 (Dagbladen v. Eureka), *IER* 2000/5, p. 268 note E. Arkenbout; CR 2000/5, p. 259 note H. Struik; *Informatierecht/AMI* 2000/10, p. 57 note K. Koelman; *Mediaforum* 2000/10, p. 344 note T. Overdijk. Court of Appeal The Hague 21 December 2000 (De Telegraaf v. NVM), *Mediaforum* 2000/2, p. 87 note M. van Eechoud; CR 2001/2, p. 89 note H. Struik; *Informatierecht/AMI* 2001/3, p. 70 note H. Cohen Jehoram. Court of Appeal The Hague 30 January 2001 (De Telegraaf v. NOS e.a.), *Mediaforum* 2001/2, p. 90 note T. Overdijk; *Informatierecht/AMI* 2001/3, p. 73 note H. Cohen Jehoram. Before the entry into force of the Databases Act, merely qualifying computer listings of TV programming information as a by-product: Dutch Competition Authority 10 September 1998 (De Telegraaf v. NOS and HMG), *Mediaforum* 1998/1, p. 304 note P.B. Hugenholtz; *Informatierecht/AMI* 1999/1, p. 12. This qualification was endorsed by the Dutch Competition Authority 3 October 2001 (De Telegraaf v. NOS and HMG), *Mediaforum* 2002/2, p. 69 note R. Mahler.

32 See section 4.2.3.7.

33 See section 4.2.3.9 for a discussion of the national case law as it has developed since 2004.

Struik,³⁴ the Dutch Minister of Justice,³⁵ the Dutch government,³⁶ Visser,³⁷ Hugenholtz,³⁸ Hagen,³⁹ Overdijk,⁴⁰ and Verkade⁴¹ adhered to it.⁴² Supporters put forward several rationales to justify the spin-off theory.⁴³ One is that when data compilations are generated quasi-automatically in the slipstream of a different main activity, there is no need for legal protection as an incentive to produce such databases, as they are produced anyway. The desire to stimulate the production of databases through the incentive of a new form of legal protection was indeed an important reason to draw up the Database Directive. Another argument put forward in favour of the spin-off theory is that only investments which are primarily aimed at producing the database should be rewarded with protection. Investments ought to be solely recouped through exploiting the product for which they were primarily made, otherwise the users of databases are doubly charged. A third argument is that newly generated data in a database should not be given exclusive protection so as to prevent possible abuses of information monopolies by their producers. Interestingly, this third rationale also underlies the slightly related approach taken in British case law, which was endorsed in the 2004 ruling of the European Court of Justice. Hugenholtz in 2002 declared himself a supporter of this variant of the Dutch spin-off theory, while Struik already appeared

34 Struik in his annotation on President District Court The Hague 12 September 2000 (NVM v. De Telegraaf) in CR 2000/6, p. 301). Also see Struik's annotation on Court of Appeal The Hague 21 December 2000 (De Telegraaf v. NVM), CR 2001/2, p. 93. He defended an opinion related to the spin-off theory as early as 1997 in his annotation on Court of Appeal Arnhem 15 April 1997 (Denda v. KPN & PTT Telecom), CR 1997/6, p. 323.

35 Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 5.

36 Written remarks of 26 June 2002 submitted to the European Court of Justice concerning the case C-46/02 Fixtures Marketing Ltd v. Oy Veikkaus Ab.

37 For example, in his annotation on the case HR 22 March 2002 (NVM v. De Telegraaf), *AMI* 2002/3, p. 102.

38 Hugenholtz 2002-I. Yet, he supports a variant of the spin-off theory upheld in British case law, which is discussed below.

39 Hagen 2002, p. 10.

40 Overdijk in his annotation on HR 22 March 2002 (NVM v. De Telegraaf), *Mediaforum* 2002/5, pp. 184-185 and Court of Appeal The Hague 30 January 2001 (De Telegraaf v. NOS e.a.), *Mediaforum* 2001/2, p. 94. Yet, he wrote earlier that it is unreasonable to deny protection to a by-product in which significant investments were made, see his annotation on President District Court The Hague 12 September 2000 (NVM v. De Telegraaf) in *Informatierecht/AMI* 2000/9, p. 194.

41 See the conclusion he wrote in the capacity of Advocate General in the Supreme Court case HR 6 June 2003 (NOS v. De Telegraaf), paras. 4.54-4.65.

42 Van Eechoud described both the advantages and disadvantages of this theory in her annotation on President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *Mediaforum* 2000/11-12, p. 398.

43 See the analysis by Hugenholtz 2002-I, p. 164. Advocate General Spier provides an interesting overview of the opinions which Dutch authors have expressed on the spin-off theory in his conclusion in the case of HR 22 March 2002 (NVM v. De Telegraaf), paras. 4.29-4.40. He seems to be a cautious supporter of the spin-off theory, awaiting a decision of the European Court of Justice.

to support it in 1997.⁴⁴ This approach concentrates on the scope of the Directive's term 'obtaining' for assessing which costs may be count towards the substantial investment,⁴⁵ whereas in the spin-off theory, it is decisive for this assessment whether the costs were primarily incurred for the production of the database.

Yet a clear definition of the Dutch spin-off theory, which enables a congruous application by the courts, has not really been provided in the Dutch literature.⁴⁶ Instead, supporters have come up with examples of spin-off databases, such as telephone directories made of subscriber data, which telecom operators already maintain in order to send subscription bills, or (computerised) listings of TV programming information maintained by broadcasting companies whose main activity is broadcasting, which requires programming these broadcasts. The diagram in the preceding subsection may illustrate, however, that several questions remain unanswered within the Dutch spin-off theory. One is how to decide when a database is merely a spin-off. A related question is whether only the internal database can be a spin-off, or can the marketable product also qualify as such?⁴⁷ Supposing a certain database is allegedly a spin-off, should only the obtaining costs incurred in generating its data not be taken into account for the required substantial investment, or also not its verification and presentation costs, so that a spin-off can never qualify for the *sui generis* right? Or can an alternative approach be identified which takes into account only the investments which are primarily aimed at producing the database, without bothering to decide whether or not it may be a spin-off? In this approach, only generation/obtaining costs would probably be excluded, as verification and presentation costs will often be directly incurred for the database at issue.

Given these uncertainties within the spin-off theory, the Supreme Court decision of 2002 discussed in the preceding subsection leaves room for diverse interpretations. Some commentators argued that the Supreme Court wrongly repudiated the spin-off theory,⁴⁸ while several others wrote that the Court did not discard it in general, but only for this specific case.⁴⁹ For example,

44 Hugenholtz 2002-I, pp. 164-166. Struik in his annotation on Court of Appeal Arnhem 15 April 1997 (*Denda v. KPN & PTT Telecom*), CR 1997/6, p. 323.

45 This approach is extensively discussed in sections 4.2.3.5 to 4.2.3.7.

46 Also see Derclaye 2004-II, p. 408.

47 The question whether investments have been primarily made for it does not seem an adequate criterion, as even for an unpublished internal database special investments are made for compiling the raw data, feeding them into database software or adding a systematic arrangement by hand, and/or updating the data.

48 Overdijk in his annotation on the Supreme Court case HR 22 March 2002 (*NVM v. De Telegraaf*), *Mediaforum* 2002/5, p. 184.

49 This was upheld by the following authors commenting on the Supreme Court case: Visser in *AMI* 2002/3, p. 102; Lenselink in *JAVI* 2002/1, p. 27; Struik in CR 2002/3, p. 180. Furthermore, it was argued by Hugenholtz 2002-II, p. 163; Overdijk 2002, p. 186; Visser 2003, p. 109

Visser agreed with the Supreme Court because, in this case, producing the internal database containing property for sale was a main activity for the estate agents, so that there was no spin-off situation in his view and the spin-off theory was rightly not applied.⁵⁰ He subsequently argued that when such an internal database has necessitated substantial investments, then this is also true for the version of this database which is subsequently exploited on the Internet. Thus, he accepted costs attributed between different versions of a database, provided that it is not a spin-off. Others imply that the Supreme Court only rejected applying the spin-off theory to secondary exploitation forms of a database (phase II in our diagram), whereas it did not do so for the database's first production (phase I).⁵¹ Following their reasoning, the Supreme Court left unanswered the preceding question of which costs may be taken into account for phase I – which in their view is the central question within the spin-off theory – but it merely declared that costs incurred for a phase I database may also be attributed to a phase II database.

Other Dutch authors have rejected the spin-off theory. Among them are Quaedvlieg, Speyart and Van Loon,⁵² who raised serious objections to it.⁵³ Moreover, the Databases Study Committee of the Dutch Association for Copyright criticised the supporters of the spin-off theory for not having drawn up clear-cut criteria as to how to distinguish by-products from main products.⁵⁴ Indeed, the Dutch spin-off theory presupposes that databases may be produced in two ways: their production is either the producer's main activity, or they are made merely as spin-offs of another main activity, while the spin-off theory only applies to the latter category. Clear criteria on how to distinguish main products from by-products are thus vital. Alluding to this lack of criteria, the Dutch Supreme Court stated in its 2002 decision that the spin-off theory would lead to considerable demarcation problems.⁵⁵ As a result, Dutch case law indeed gave evidence of confusion concerning the question of when the theory should or should not be applied.⁵⁶

and Advocate General Verkade in his conclusion in the Supreme Court case HR 6 June 2003 (NOS v. De Telegraaf), para. 4.59.

50 In his annotation on the 2002 Supreme Court case in *AMI* 2002/3, p. 102.

51 Lenselink in *JAVI* 2002/1, p. 27 and Overdijk in *Mediaforum* 2002/5, p. 184, both commenting on the 2002 Supreme Court case.

52 Quaedvlieg 2002, pp. 407-408; Speyart in his annotation on the 2002 Supreme Court case in *IER* 2002/4, pp. 153-154; Van Loon 2004, pp. 84-85. Klos 2000, p. 7 does not seem to support the theory, either.

53 H. Cohen Jehoram adhered to the spin-off theory in 1999 (see H. Cohen Jehoram 1999, p. 479), but changed his opinion in 2001 (see his annotation on District Court Almelo 6 December 2000 (KPN v. Denda), *Informatierecht/AMI* 2001/3, p. 70).

54 The Databases Study Committee in its 1999 report, p. 12 criticised the Members of Parliament and the Minister of Justice for not providing a definition of the term 'by-product'.

55 HR 22 March 2002 (NVM v. De Telegraaf), para. 3.4.1.

56 Dutch courts not only showed uncertainty as to when a database is a by-product, but also as to whether they should apply the spin-off theory to the database's primary and/or secondary exploitation (phases I and/or II).

Furthermore, several authors referred to the Feist judgment of the American Supreme Court,⁵⁷ which served as an important inspiration for the European Commission to draw up the Database Directive.⁵⁸ As a result of the spin-off theory, producers who generate their own data could lack the *sui generis* right for their databases and this would affect, for example, telephone directories made by telecom operators, such as in the American Feist case. However, the *sui generis* right was precisely introduced to provide protection for databases like the Feist directory, which do not enjoy copyright. Arguably, according to these authors, the European Commission had not intended to subsequently have this protection tackled by the spin-off theory.

Moreover, Speyart remarked that if a court would endorse the spin-off theory, this would mean introducing an unwritten requirement.⁵⁹ This is because, as Klos and Quaadvlieg observed,⁶⁰ the Directive itself does not distinguish between investing in databases as by-products and as main products.⁶¹

4.2.3.5 The spin-off theory in France, Germany and the United Kingdom

In the French literature, the spin-off dilemma did not meet with the same outspoken attention as in the Netherlands. Lucas/Lucas did not explicitly speak out on it.⁶² Gaudrat, however, seemed to be an advocate of the theory where data of public administrative bodies are concerned,⁶³ while Pollaud-

57 Feist Publications, Inc. v. Rural Telephone Service Company, Inc., U.S. Supreme Court 27 March 1991, 499 U.S. 340 (1991); 113 L. Ed. 2d 358 note G. Knapp; 111 S. Ct. 1282. See section 1.2.2.1b.

58 Quaadvlieg 2002, p. 407; Speyart in his annotation on HR 22 March 2002 (NVM v. De Telegraaf), IER 2002/4, p. 154, and Derclaye 2004-II, p. 407.

59 See his annotation on HR 22 March 2002 (NVM v. De Telegraaf), IER 2002/4, pp. 153-154.

60 Klos 2000, p. 7; Quaadvlieg 2002, p. 407.

61 On the other hand, Hugenholtz 2002-I, pp. 164 and 166 argued that databases which spontaneously come into being in the course of other activities should not be entitled to the *sui generis* right, as without legal protection such databases would still be produced. Van Loon 2004, p. 85 objected that the essence of intellectual property rights is to stimulate innovation by protecting investments, whereby the purpose for which a work was created is irrelevant. Aalberts and Schellekens remarked that an investment is an investment, irrespective of its motive, see their annotation on President District Court The Hague 29 June 1999 (KPN v. XSO), CR 2000/3, p. 157.

62 See Lucas/Lucas 2001, p. 638, no. 817-4 and footnote 27, in which they refer to Tribunal de commerce Paris 18 June 1999 (SA France Télécom v. Sarl MA Editions et SA Fermic devenue Iliad), D.I.T. 1999/4, p. 57 note C. Giro; MMR 1999/9, p. 533 note J. Gaster; D. 2000/5, jur., p. 105 note D. Goldstein; Gaster 2000-I, p. 42; Gaster 2000-II, pp. 90-91; Derclaye 2005, pp. 12-13. The tribunal considered that the yearly costs for France Télécom amounted to a total of 205 million French francs: for collecting the subscriber data, 155 million francs, and for verification and maintenance of its subscriber database, 50 million francs. Lucas/Lucas call these annual costs a clear case of a substantial investment that is beyond discussion.

63 Gaudrat 1999-I, p. 97. Also see Lemarchand/Fréget/Sardain 2003, p. 20.

Dulian also appeared to support it in his annotation on a case concerning a catalogue with addresses of salon exhibitors.⁶⁴ The appeal court in this case thought it irrelevant that the producer of the catalogue had collected the information within the framework of his activity of organising salons. It considered that the production of these catalogues was the result of the commercial efforts to promote the salons, of the drawing up of communication plans, and of the publicity to stimulate the exhibitors' participation; these efforts ensured the databases of their contents. The court thus included costs which were arguably not directly aimed at the production of the catalogues. In his annotation, Pollaud-Dulian objected to this.⁶⁵ In the abundant French case law, the spin-off theory was not explicitly identified by the courts. They have thus not spoken out on its validity. Instead, French courts sometimes took into account investments which arguably were not directly aimed at the production of the database at issue.⁶⁶

In Germany,⁶⁷ the spin-off theory seemed to be rejected by Hornung, Von Lewinski, and Leistner.⁶⁸ Yet, Von Lewinski and Leistner⁶⁹ observed that it is not easy in practice to decide which obtaining costs should or should not be taken into account. Bensinger appeared to support the spin-off theory where she remarked that costs for generating new contents may count only in so

64 TGI Paris 22 June 1999 (Groupe Miller Freeman, Miller Freeman France, Safi et Stil v. Sté Tigest), Gaster 2000-I, pp. 42-43; Gaster 2000-II, p. 91, confirmed on appeal by CA Paris 12 September 2001 (Sté Tigest v. Sté Reed Expositions France, Sté Salons français et internationaux Safi), *JCP* 2002.II.10000 note F. Pollaud-Dulian; Derclaye 2005, p. 14. Both the court of first instance and the appeal court implicitly dismissed the spin-off theory.

65 In his annotation on this case (see the preceding footnote), Gaster 2000-I, p. 43 considers the argument that the catalogue is merely a spin-off to be irrelevant as the producer invested substantially to adapt the data especially for their incorporation in the catalogues. The appeal court indeed further stated that even though companies which organise salons as a parallel activity have easier access to such address information, they still pay costs for the production, verification and arrangement of this information through paying for personnel and informational services. These investments are especially made for the production and verification of the catalogues, although they are also necessary for the salon to succeed. Pollaud-Dulian in his annotation agrees with the court on taking these sorts of costs into account.

66 See the French AIPPI report on database protection 2004, p. 6. Also see section 4.2.7.2.

67 Here, the spin-off issue incidentally came up in Landgericht Cologne 25 August 1999 (Kidnet.de v. Babynet.de), *CuR* 2000/6, p. 400; Derclaye 2005, p. 20. This court judged that a database of 3000 items and a database of 251 items which was extracted from the first one should be considered as one. As a result, the court found that the substantial investment represented by the larger database was also present in the database of 251 items.

68 Hornung 1998, p. 111; Von Lewinski in Walter 2001, para. 5 on art. 7, pp. 770-771; Leistner in his annotation on the 2004 judgment of the European Court of Justice in Case C-203/02 (British Horseracing Board Ltd v. William Hill Ltd) in *IIC* 2005/5, pp. 592-593, where he argues that the Directive gives no hint that only investments whose main purpose is to produce a database are relevant, and that the criterion of 'main purpose' is unclear and vague.

69 Leistner 2000, pp. 150-152.

far as they lead to the production of the database.⁷⁰ Vogel seemed to be a supporter of a distant variant of the spin-off theory. He held that the costs of generating information do not count towards the required substantial investment in so far as these do not coincide with the costs for collecting, selecting and arranging the database contents.⁷¹ According to him, generating data – e.g. for a library catalogue – is an activity which precedes the phase of the actual building of the database. Vogel's view turned out to be a forerunner of the approach taken in British case law,⁷² which was endorsed by the European Court of Justice in 2004.⁷³

In the United Kingdom, *Laddie/Prescott/Vitoria* seemed to dismiss the spin-off theory. They predicted that the courts will want to avoid the unattractive outcome of this theory and, instead, will probably award protection to spin-off databases.⁷⁴ Derclaye also strongly criticised the Dutch spin-off theory.⁷⁵ Davison was critical of accepting the spin-off theory in its broadest possible interpretation, as he argued that this would erode the intended effect of the Directive.⁷⁶

In the British case law, however, a different voice was heard.⁷⁷ Mr Justice Laddie in his 2001 decision in the *British Horseracing Board (henceforth: BHB) v. William Hill*⁷⁸ took an approach which seems related to the Dutch spin-off theory, and which has been endorsed by the European Court of Justice in

70 Bensinger 1999, p. 158.

71 Vogel in Schricker 1999, pp. 1335-1336 no. 16.

72 This was observed by Hugenholtz 2002-I, p. 165.

73 See sections 4.2.3.6 and 4.2.3.7.

74 *Laddie/Prescott/Vitoria* 2000, p. 1076, para. 30.49.

75 Derclaye 2004-II, p. 408. She proposes a rather intricate alternative approach which distinguishes between several types of data. Moreover, she argues for a compulsory licence in specific situations.

76 Davison 2003, p. 154. In his opinion, a broad approach to the spin-off theory is not likely to be accepted by the European Court of Justice.

77 Interestingly, a forerunner of the spin-off theory may be recognised in a consideration by Mr Justice Upjohn in his judgment in *Football League Limited v. Littlewoods Pools Limited* [1959] 1 Ch. 637 at p. 653: 'That case certainly decides that you can have copyright in the material form in which you present original created information, but I do not think it decides the point I have to decide, namely, whether you can take into account the early work done by Sutcliffe in preparing the fixtures. When Astbury J. held that the plaintiff's publication was one involving considerable skill, labour and expense, I do not understand him as including the preliminary work (...) such as fixing dates, times, and artists, but to be referring to the actual work of compilation after those matters had been fixed.' Still, Mr Justice Upjohn decided that sufficient work was done in the chronological fixtures list to justify copyright at all relevant production stages. Also see the case *I.T.P. Limited & B.B.C. v. Time Out* [1984] F.S.R. 64.

78 *British Horseracing Board Limited and others v. William Hill Organization Limited* [2001] RPC 31, [2001] EWHC 516 (Pat).

2004.⁷⁹ The facts in the BHB case were as follows. The British Horseracing Board maintains an extensive database with horseracing information, which is constantly being updated. Its maintenance costs around 4 million English pounds annually, while approximately 80 employees are involved in it. These costs take up around 25% of the BHB's yearly business expenses. The BHB exploits its database by licensing the data to many parties, among which is the company Satellite Information Services (SIS). The defendant William Hill is a leading company in off-track bookmaking services. Since February 2000, William Hill has maintained a web site on the Internet enabling on-line betting on horseracing, which is updated daily. The information on this web site was supplied by SIS and thus eventually derived from the BHB database. The BHB did not grant SIS a right to sublicense William Hill to make use of its data on the Internet. Therefore, the BHB accused William Hill of infringing its database right by extracting and reutilising substantial parts of its database. Alternatively, William Hill was alleged to be guilty of repeated and systematic extraction and reutilisation of insubstantial parts.

As for the required substantial investment, Mr Justice Laddie interestingly stated:⁸⁰

'As one would expect, effort put into creating the actual data which is subsequently collected together in the database is irrelevant. This is confirmed by art. 7(4) [of the Directive] which draws a distinction between rights in the database and rights in the data within the database (...).'

Thus, he established that the effort in creating the actual data is not relevant, but only the investment in gathering them all together. Still, he acknowledged that it is difficult to distinguish between the costs of creating and gathering the data if the same person carries out both activities.⁸¹ In his opinion, the database of the BHB represented a substantial investment. Remarkably, William Hill had not challenged this. Copinger and Skone James,⁸² as well as commentator Hughes,⁸³ supported the approach taken by Mr Justice Laddie.

79 On appeal, a reference was made to the European Court of Justice asking what exactly is meant by obtaining (*British Horseracing Board Limited and others v. William Hill Organization Limited* [2001] *EWCA Civ* 1268). The European Court gave its judgment on 9 November 2004, Case C-203/02 (*British Horseracing Board Ltd v. William Hill Organization Ltd*). This decision is discussed in section 4.2.3.7.

80 Para. 33 of the judgment.

81 Paras. 33 and 34 of his judgment.

82 Copinger and Skone James 2002, p. 168, para. 18-06A. They agree that effort put into creating the actual data is irrelevant, whereas relevant are efforts which go into gathering all the data together. Where one person both creates the underlying data and gathers it together, drawing a sharp dividing line between the two activities may be difficult, as Mr Justice Laddie remarked, but Copinger and Skone James argue that this should not prevent the *sui generis* right arising.

83 Hughes 2001, p. 12.

4.2.3.6 Defining the obtaining costs

The approach which Mr Justice Laddie followed in the BHB decision may be considered related to the Dutch spin-off theory in that it takes as a starting point the question of which investments in the obtaining of the data may be taken into account for the substantial investment threshold to which the *sui generis* right is subjected.⁸⁴ Dutch supporters of the spin-off theory have asked the same question and consider it decisive whether the investments are primarily aimed at the database's production. However, in Mr Justice Laddie's approach, defining the meaning of 'obtaining' in art. 7(1) of the Directive is crucial.

Like Mr Justice Laddie, Hugenholtz in the Netherlands is of the opinion that only the gathering or collecting of existing data should count towards the substantial investment, not the costs of creating new data.⁸⁵ A different view, according to him, would be contrary to recitals 45 and 46. Recital 46 states that the existence of the *sui generis* right should not give rise to the creation of a new right in the works, data or materials themselves. Still, this recital does not seem to hinder the inclusion of costs for generating works or data as part of the investments in the database as a whole, as the *sui generis* right is only available to databases which comply with the requirements in the Directive's definition, and not to data in itself.

Secondly, Hugenholtz points to recital 19 which reads that:⁸⁶

'as a rule, the compilation of several recordings of musical performances on a CD (...) does not represent a substantial enough investment to be eligible under the *sui generis* right.'

In his opinion, this recital implies that the creation of data does not count towards the substantial investment.⁸⁷ Such a general conclusion, we believe, may not be drawn from a recital which only concerns music CDs.⁸⁸ Furthermore, this recital was mainly included to prevent the concurrence of the *sui*

84 Compare, for example, Lenselink in his annotation on HR 22 March 2002 (NVM v. De Telegraaf), JAVI 2002/1, p. 26 who observed that the question at issue is which investments can be considered to be aimed at the production of the database.

85 Hugenholtz 2002-I, pp. 164-165.

86 Hugenholtz 2002-I, p. 165.

87 This conclusion was also drawn by Bensinger 1999, p. 158 footnote 784. On the other hand, she argues (p. 158) that if licence costs for acquiring existing database contents count towards the substantial investment, then so must the producer's costs for filling the database with his own contents.

88 Moreover, a CD producer does not always create the music for the compilation himself; he may also have acquired it by way of licences.

generis right with the neighbouring right already enjoyed by producers of phonograms.⁸⁹

Hugenholtz also argues that investments in the generation of new data should not be covered by the *sui generis* right. He states that these data are as such unprotected, not so much because they are spin-offs of other activities, but because an exclusive right in newly generated data would create undesirable monopolies.⁹⁰ Yet, we believe that the question at issue here is not whether individual data should remain unprotected, but whether *databases* containing such data are protected by the *sui generis* right, as indeed the Directive only affords protection to databases. Moreover, the distinction between creating and gathering data is not always clear. Sometimes, it may even require a philosophical assessment. For example, are scientific measuring results or news facts⁹¹ created or gathered? Furthermore, the stages of creation and gathering are not always easy to distinguish. For example, are data for TV listings created by the programmers or are they gathered after the programming activity?⁹²

4.2.3.7 The European Court of Justice

Questions were submitted to the European Court of Justice in 2002 on the definition of obtaining costs, and on the question – related to the Dutch spin-off theory – of whether an investment should be directly linked to the making of the database. This was done through references made in the above-men-

89 Gaster 1999, p. 41 no. 92; Derclaye 2005, p. 7. If, indeed, the European legislator had wanted to exclude phonograms from the *sui generis* right as a principle, adding an article with this purport to the Directive might have been preferable.

90 However, the 'Feist argument' which was invoked against the Dutch spin-off theory – see section 4.2.3.4 – could also be invoked against the narrow definition of obtaining costs. Another indication against both lies in the first proposals of the Database Directive, which contained provisions on compulsory licensing for contents obtainable only from monopolistic sources. Had the European Commission adhered to the spin-off theory or the narrow obtaining definition, there would have been no need for these provisions. Still, they were deleted in the Directive's final version, not because they were judged to be superfluous on account of the spin-off theory – as was suggested by Hugenholtz 2002-II, p. 166 – but because the protection of the *sui generis* right had been restricted in scope compared to the earlier versions of the Directive, and competition law was believed to be an adequate remedy to ward off information monopolies.

91 This example was raised by Koelman in his annotation on President District Court Amsterdam 11 November 2004 (ANP v. Novum), *IER* 2005/1, p. 27.

92 See section 4.2.3.8 on such questions.

tioned British case on a horseracing results database⁹³ and in a Finnish,⁹⁴ Swedish,⁹⁵ and Greek⁹⁶ case concerning football fixture lists.

On 9 November 2004, the European Court delivered its decisions in all four cases.⁹⁷ It chose to adopt the narrow interpretation of the Directive's term 'obtaining', which was advocated in the United Kingdom in the BHB decision by Mr Justice Laddie and in the Netherlands by Hugenholtz. Accordingly, the Court decided that costs incurred in the creation of new data are not to be taken into consideration for the substantial investment required. Instead, investments in the obtaining must be understood as referring merely to resources used to seek out existing materials and collecting them in the database.

The European Court raised several arguments in favour of this narrow interpretation of 'obtaining'. Firstly, according to the Court, it follows from recitals 9, 10 and 12 that it is the purpose of the Directive to promote and protect investment in data 'storage' and 'processing' systems, so that the relevant investments must be understood, generally, to refer to investments in the creation of that database as such.⁹⁸ Why the Court added the word 'generally' is not clear; it could suggest that there may be exceptions to this rule.

Secondly, the Court argued that investment in the obtaining of the contents refers to the resources used to seek out existing materials and to collect them in the database, and not to resources used for the creation as such of independent materials.⁹⁹ This is because, according to the Court, the purpose of

93 Reference for a preliminary ruling by the Court of Appeal (England and Wales) (Civil Division), by order of that court dated 24 May 2002, in the case of 1) The British Horseracing Board Limited, 2) The Jockey Club and 3) Weatherbys Group Limited v. William Hill Organization Limited, Case C-203/02, *OJEC* 2002 C 180/14.

94 Reference for a preliminary ruling by the Vantaan Käräjäoikeus by order of that court of 1 February 2002 in the case of Fixtures Marketing Ltd v. Oy Veikkaus Ab, Case C-46/02, *OJEC* 2002 C 109/27.

95 Reference for a preliminary ruling from the Högsta Domstolen by order of that court of 10 September 2002 in the case of Fixtures Marketing Ltd v. Svenska Spel AB, Case C-338/02, *OJEC* 2002 C 274/39. The Swedish and Finnish courts posed questions relating to the spin-off theory. For example, the Swedish court's second question was: 'Does a database enjoy protection under the database directive only in respect of activities covered by the objective of the database maker in creating the database?'.

96 Reference for a preliminary ruling from the Monomeles Protodikio Athinon by order of that court of 11 July 2002 in the case of Fixtures Marketing Ltd v. Organismoa Prognostikon Agnon Podosfairou AE (OPAP), Case C-444/02, *OJEC* 2003 C 31/17.

97 European Court of Justice 9 November 2004, cases C-46/02 (Fixtures Marketing Ltd v. Oy Veikkaus Ab), *ECR* 2004, p. I-10365; C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), *ECR* 2004, p. I-10415; C-338/02 (Fixtures Marketing Ltd v. Svenska Spel AB), *ECR* 2004, p. I-10497; and C-444/02 (Fixtures Marketing Ltd v. Organismoa Prognostikon Agnon Podosfairou AE (OPAP)), *ECR* 2004, p. I-10549.

98 Consideration 30 in case C-203/02 on the database of the British Horseracing Board. The considerations mentioned in the following footnotes refer to the same case.

99 Consideration 31.

the *sui generis* protection is to promote the establishment of storage and processing systems for existing information and not the creation of materials capable of being collected subsequently in a database. This argument does not seem to be entirely convincing as *sui generis* protection is only available to databases, not to newly created information as such. Moreover, databases made of already existing material and databases which contain newly created material both make use of storage and processing systems. Yet, the Court's reasoning does not explain why only the first sort of database should be entitled to the *sui generis* right.

Thirdly, the Court pointed to recital 39 according to which it is the aim of the *sui generis* right to safeguard the results of the financial and professional investment made in 'obtaining and collection of the contents'.¹⁰⁰ The Court referred to the conclusion of the Advocate General for support in stating that all the language versions of recital 39 support an interpretation of 'obtaining' which excludes the creation of the materials contained in the database. In fact, the Advocate General stressed the divergences between the language versions, but ultimately, she indeed argued that they all allow for the narrow interpretation.¹⁰¹

Fourthly, the Court referred to recital 19,¹⁰² as Hugenholtz did. This recital denies protection by copyright and the *sui generis* right to the compilation of recordings of musical performances on a CD. According to the Court, this implies that the creation as such of materials included in a database cannot be deemed equivalent to investments in the obtaining of the contents of that database.¹⁰³

The consequences of this narrow interpretation for the databases at issue were as follows. In the case of the British Horseracing Board (BHB) v. William Hill concerning lists of horseracing results, the European Court provided examples of costs which do not qualify as obtaining investments but which are creation costs, namely investments in the selection, for the purpose of organising horse races, of the horses taking part in the races and investments in the prior checks related to their selection.¹⁰⁴ The Court did not speak out on the question of whether the database of the BHB may still be protected by the *sui generis* right through investments made in the verification or presentation of its data. It did, however, state that verification carried out during the stage of the creation of materials which are subsequently collected in a database does not fall within the Directive's definition of verification.¹⁰⁵

100 Consideration 32.

101 Conclusion of Advocate General Stix-Hackl in case C-203/02, paras. 41-46.

102 Consideration 33.

103 We questioned this interpretation in the previous subsection.

104 Considerations 38-41.

105 Consideration 42.

The other three cases concerned the drawing up of football fixture lists by organisers of the English and Scottish league football,¹⁰⁶ which were used by the defendants for organising gambling activities.¹⁰⁷ Here, the Court considered that obtaining costs do not cover the resources used to establish the dates, times and the team pairings for the matches in the league.¹⁰⁸ Finding and collecting the data which make up a football fixture list do not require any particular effort on the part of the professional leagues, as these activities are indivisibly linked to the creation of those data, in which the leagues participate directly as those responsible for the organisation of football league fixtures. Thus, obtaining the contents of the fixture lists does not require any investment independent of investments in the creation of the data.¹⁰⁹ Furthermore, according to the Court, the leagues do not need to put any particular effort into monitoring the accuracy of the database when the list is created. As for the verification of its accuracy done during the season, this does not involve an effort which can be regarded as requiring a substantial investment. Moreover, in this case, the presentation of the list is closely linked to the creation of the data that make up the list, and thus cannot be considered to require an investment independent of the investment in the creation of the data. According to the Court, neither the obtaining, nor the verification nor yet the presentation of the contents of the football fixture list at issue represent a substantial investment.¹¹⁰

In all four cases, the Court expressed the point of view that when a creation of a database is linked to the exercise of a principal activity in which the person creating the database is also the creator of the contents, this does not, as such, preclude that person from claiming the protection of the *sui generis* right, provided that he establishes that the obtaining of those materials, their verification or their presentation required substantial investment in quantitative or qualitative terms, which was independent of the resources used to create those materials. The Court continued that the collection of those data, their

106 Cases C-46/02 (Fixtures Marketing Ltd v. Oy Veikkaus Ab); C-338/02 (Fixtures Marketing Ltd v. Svenska Spel AB); and C-444/02 (Fixtures Marketing Ltd v. Organismo Prognostikon Agnon Podosfairou AE (OPAP)). These judgments closely resemble one another.

107 The organisers of the matches had assigned Fixtures Marketing Ltd (the claimant) the right to represent them as holders of the rights in the football fixture lists.

108 The leagues are also responsible for verifying that the matches take place, checking players' licences and the monitoring and announcement of the scores, but according to the Court (consideration 48), these activities are not connected with the drawing up of fixture lists.

109 Consideration 44 in case C-46/02.

110 Consideration 47 in case C-46/02. The word 'yet' seems to imply that more effort put into the presentation could still amount to a substantial investment. Indeed, the Court considered that no mention was made in this case of work or resources specifically invested in such a presentation, suggesting that if there would have been such investments, they could still have added up to the required substantial investment. Thus, an online football fixtures database which is, for example, attractively designed and very user-friendly could well be protected.

systematic or methodical arrangement in the database, the organisation of their individual accessibility and the verification of their accuracy throughout the operation of the database may require a substantial investment in quantitative and/or qualitative terms within the meaning of the Directive's art. 7(1). In short, it may be concluded that a spin-off database can still be protected by the *sui generis* right, provided that next to costs made for the creation of new data – which may not be taken into account – other costs have been made for obtaining existing material, and/or their verification and/or presentation.

In its *dictum* at the end of all four decisions, the European Court of Justice established that 'obtaining' does not include costs for the creation of new materials, but only for the collection of already existing materials. This, in our view, appears to be a general rule not restricted to spin-off databases but applicable to all sorts of databases. On the other hand, one could perhaps argue that such a general statement may not be derived from these decisions, given that they all supposedly concerned spin-off databases, and that an *a contrario* reasoning excludes an application to other sorts of databases. It might thus be suggested that it is as yet uncertain whether the Court advocates the narrow definition of 'obtaining' for *all* sorts of databases.¹¹¹ The Advocate General, on the other hand, clearly intended to do so. In her conclusions in all four cases, she rejected the Dutch spin-off theory, which makes a distinction between spin-off databases and databases as main products. In her view, the Directive also protects the obtaining of data where these were not obtained for the purposes of creating a database but for another activity, so that the objective with which the data were obtained is irrelevant for assessing the database's eligibility for the *sui generis* right.¹¹² Regrettably, the Court itself did not explicitly speak out on the validity of the Dutch spin-off theory. Yet, implicitly, the European Court has in our view rejected this theory by formulating an approach of its own.

111 Spoor/Verkade/Visser 2005, para. 16.6, p. 620 seem to support the Court's narrow definition merely for spin-off databases. In their opinion, creation costs should be taken into account when these were especially incurred in the database's production. Also see Visser's annotation on case C-203/02 (British Horseracing Board Ltd v. William Hill Ltd) in AMI 2005/1, p. 35. He remarks that the ruling of the European Court closely resembles the spin-off theory; by qualifying a company's main activity as the creation of new data and establishing that the subsequent verification and presentation activities do not require a substantial investment, protection by the *sui generis* right seems to be excluded for spin-off databases.

112 Conclusions of Advocate General Stix-Hackl of 8 June 2004 delivered in case C-46/02, paras. 52-55 and 67; case C-203/02, para. 47; C 338/02, paras. 40-45 and 57; case C-444/02, paras. 56-61 and 73.

4.2.3.8 Some comments on the 2004 decisions of the European Court

Although the European Court seems to have taken a clear stand,¹¹³ its ruling may turn out to be not so unambiguous. This is firstly because, in practice, the distinction between creating new data and collecting existing data may prove not so easy to apply. To illustrate this, Visser provides the example of stock market rates; are they newly created or collected by the stock exchanges?¹¹⁴ And should research results within the natural sciences be considered either as created or as existing data? Hugenholtz argued that the investment in research results (such as the discovery of new stars) should not be taken into account,¹¹⁵ as opposed to several other authors.¹¹⁶ He ultimately dismissed this question by referring it to the slippery domain of the philosophy of science. Earlier, Maurer/Hugenholtz/Onsrud took the stand that only investments made for 'synthetic' data should not be taken into account, which they define as data not collected from the outside world but self-generated, such as telephone numbers.¹¹⁷ Leistner is of the same opinion.¹¹⁸ However, legal certainty for database producers and users is served by the utmost clarity as to which investment is and is not relevant under the European Court's narrow interpretation of obtaining costs.¹¹⁹ For the present, the European Court has not provided clear criteria for this. Davison/Hugenholtz thus rightly remark that the distinction between existing and newly created data will continue to concern courts and commentators.¹²⁰

Secondly, Struik, Leistner and De Koning all rightly observe that the stage of data creation and other subsequent production stages of a database are not

113 Leistner, for example, largely applauds it as being elegant and stunningly simple in his annotation on case C-203/02 (*British Horseracing Board Ltd v. William Hill Ltd*) in *IIC* 2005/5, pp. 593 and 595, although he does point to some weaknesses.

114 In his annotation on case C-203/02 in *AMI* 2005/1, p. 35. Also see Derclaye 2004-II, p. 407.

115 Hugenholtz 2002-I, pp. 165-166. Davison/Hugenholtz 2005, p. 115 argue that the European Court of Justice appears to take the view that research results are created, not collected.

116 Leistner 2000, pp. 151-152; Leistner in his annotation on case C-203/02, *IIC* 2005/5, p. 594; Struik in his annotation on HR 22 March 2002 (*NVM v. De Telegraaf*), *CR* 2002/3, p. 180. Derclaye 2004-II, pp. 411 and 412 also argues that databases with scientific data are entitled to protection by the *sui generis* right because otherwise, in her opinion, there would be no incentive to create such important databases.

117 Maurer/Hugenholtz/Onsrud 2001, p. 790.

118 Leistner 2000, pp. 151-152 seems to use a qualitative criterion where he argues that generating data which do not yet exist, such as new telephone numbers, is not comparable to collecting meteorological data through research. In his opinion, only the first procedure, which he calls 'data-generating in the narrow sense of the word', should not be taken into account for the required substantial investment in the database. Also see Leistner's annotation on case C-203/02, *IIC* 2005/5, p. 594.

119 Interestingly, the drawing up of football fixture lists is qualified by the Court as creating data, whereas Advocate General Stix-Hackl in her conclusions in the fixture cases C-46/02, C 338/02 and C-444/02 argued that fixtures are existing data.

120 Davison/Hugenholtz 2005, p. 115.

always so easy to separate, either, as they sometimes overflow.¹²¹ For example, in practice, the creation of data may well coincide with their being collected in an (internal) database.¹²² Yet, the distinction between production stages seems essential for the European Court of Justice, as it has established that verification and/or presentation costs incurred during the creation stage do not count.¹²³ However, this leaves open the important question of how to decide when the creation stage ends and another stage begins. A related question raised by Struik and De Koning is when the database's term of protection will start.¹²⁴ Davison/Hughenoltz suggested as a solution that companies could take measures so that the verification and presentation investments are clearly divided chronologically and procedurally from the creation stage.¹²⁵

The question has been raised in the literature whether costs incurred in acquiring the contents for the database may be taken into account when the data are all bought from one source.¹²⁶ For example, a subsidiary or affiliate company pays licence fees to the holding for data derived from its internal database. Klos argues that the investment should not concern the acquisition of a complete set of data, but only the process of the actual building of the database.¹²⁷ On the other hand, Bensinger, Leistner and Von Lewinski consider licence costs in general to be relevant for the required substantial investment, which is the right approach in our view.¹²⁸ In this context, the narrow definition of obtaining costs could have an important drawback in that it is fairly easy to get around it. A holding which generates its own data can create a (subsidiary) company to which the production of databases is entrusted. Examples of such databases may be telephone directories, Michelin guides, TV guides, et cetera. As Overdijk points out,¹²⁹ the newly created company

121 Struik in his annotation on case C-203/02 (*British Horseracing Board Ltd v. William Hill Ltd*) in CR 2005/1, p. 24; Leistner in his annotation on the same case in IIC 2005/5, pp. 593-594; De Koning 2005, p. 113.

122 Also see footnote 21 on our diagram of a database production process in section 4.2.3.3.

123 It remains unclear, but perhaps the European Court considers making an unpublished internal database to be part of the creation stage. On the other hand, Advocate General Stix-Hackl in her conclusion in case C-302/02, para. 49 wrote that when the creation of new data is at issue, 'there might be 'obtaining' within the meaning of Article 7(1) of the Directive. That would be the case if the creation of the data took place at the same time as its processing and was inseparable from it. That could be so in the case of the receipt of the information and its entry in a database immediately thereafter.' Also compare Struik's annotation on the same case in CR 2005/1, p. 24.

124 Struik in his annotation on case C-203/02 in CR 2005/1, p. 25; De Koning 2005, p. 113.

125 Davison/Hughenoltz 2005, p. 115. Also see Overdijk's annotation on case C-203/02 in *Mediaforum* 2005/2, p. 70.

126 For example, Beunen 2000, p. 59.

127 Klos 2000, p. 7. Also see Spoor/Verkade/Visser 2005, para. 16.6, p. 620.

128 Bensinger 1999, p. 158; Leistner 2000, p. 152; Von Lewinski in Walter 2001, p. 771.

129 In his annotation on case C-203/02 in *Mediaforum* 2005/2, p. 70. Also see Davison/Hughenoltz 2005, p. 115; Folmer 2005, p. 73.

does not generate the data itself, but acquires them from the other company. The costs thus incurred are not creation costs but costs made for collecting existing material, so that they can be taken into account for the required substantial investment.

In the preceding subsection, we argued that the European Court meant its narrow definition of obtaining costs to apply to all sorts of databases, not just alleged spin-offs. We believe, however, that this narrow definition would unjustly discriminate between producers who make databases with newly created contents and database producers who merely use existing material.¹³⁰ A database with new material represents a greater achievement and larger investments than a mere variation of an existing database, and because of its newness its contents will more often fall victim to reproduction. Yet, databases with newly created contents would run a greater risk of not meeting the substantial investment threshold. This is the more worrying where this content is not as such protected by an intellectual property right, for example, for lack of originality.¹³¹ Databases for which new material has been created, we believe, are thus put at an unjustified disadvantage. As Grosheide remarks, this would cause a lack of incentive to make such databases.¹³²

Moreover, it seems that adding value to existing material through newly created data – for example to update or verify one's own database¹³³ or upgrade that of another party – is another activity of creation which is irrelevant for the required substantial investment. If this is indeed the case, then acquiring existing material and merely rearranging it in a database is more rewarding where protection by the *sui generis* right is concerned than adding newly created material to existing contents. Still, the solution may again be to create another company which incurs costs in acquiring and collecting this newly created material/added value from the company which created it. Another may be to invest heavily in a marketable database where its presentation is concerned.

Interestingly, the 2005 European report in which the Database Directive was for the first time evaluated also appears to be critical of the Court's ruling. The report states that the narrow interpretation of obtaining costs goes against the Commission's original intention of protecting "non-original" databases

¹³⁰ Also compare Brison 2005, p. 29.

¹³¹ Compare a database made by the Rijksmuseum in Amsterdam which contains photographs that are meticulous reproductions of old master paintings (see on the Internet: www.rijksmuseum.nl).

¹³² In his annotation on case C-203/02 in *IER* 2005/1, p. 23. Also compare Derclaye 2004-II, pp. 411 and 412 who argues the same for databases containing scientific data, see footnote 116.

¹³³ Struik also observes that verification investments made to add new information would not be relevant as opposed to such investments made to remove (incorrect) information. See his annotation on case C-203/02 in *CR* 2005/1, p. 25. Yet, the Court seems to leave open the possibility that such verification costs are relevant, namely if they are not incurred during the creation stage, but at a later stage.

in a wide sense. According to the report, the Court's ruling has severely curtailed the scope of the *sui generis* right by decreasing the protection for non-original databases, at least with respect to producers who create the data and information comprised in their databases.¹³⁴

4.2.3.9 National case law since the 2004 decisions

Several judgments delivered after 2004 have explicitly provided evidence of being influenced by the European Court of Justice, especially in the United Kingdom and the Netherlands. In the United Kingdom, the Court of Appeal established in 2005 that the database of the British Horseracing Board (henceforth: BHB) does not represent a substantial investment.¹³⁵ In its defence, the BHB illustrated its production process. Firstly, horse owners inform the BHB that they intend their horses to run. The BHB checks whether the horses meet the criteria of entry, after which a provisional list of runners is made. The next step is for each owner to declare that his horse will indeed run. After checking this, the BHB publishes the final official list of the runners. The BHB argued that its activities, from the beginning of the process down to the final published database containing the official lists, come down to the gathering and checking of existing information. The unpublished lists in its view were protected by the database right, so that the published ones should be protected, as well. Mr Justice Jacob, however, considered that the European Court focused on the final database which is eventually published.¹³⁶ He stated:¹³⁷

'What marks that [final database] out from anything that has gone before is the BHB's stamp of authority on it. Only the BHB can provide such an *official* list. Only from that list can you know the accepted declared entries. Only the BHB can provide such a list. No one else could go through a similar process to produce the official list. So if one asks whether the BHB published database is one consisting of "existing independent materials" the answer is no. The database contains unique information – the official list of riders and runners. The nature of the information changes with the stamp of official approval. It becomes something different than a mere database of existing materials.'

What is published is different from a mere list of gathered information, instead this information is 'established' according to Mr Justice Jacob, by which he seems to imply that the BHB engages in the creation of data. The other two

134 DG Internal Market and Services Working Paper: First evaluation of Directive 96/9/EC on the legal protection of databases, Brussels, 12 December 2005, pp. 13, 15. This criticism resembles the Feist argument raised by Quaedvlieg, Speyart and Derclaye to oppose the Dutch spin-off theory, see section 4.2.3.4 and footnote 58.

135 British Horseracing Board Limited, The Jockey Club, Weatherbys Group Limited v. William Hill Organization Limited [2005] EWCA (Civ) 863.

136 Also compare footnote 123.

137 Paras. 29 and 30 of the judgment.

justices agreed and the Court of Appeal concluded that no database right exists in the BHB's database.¹³⁸

Even before this judgment was delivered, the BHB decision of the European Court had induced some parties who bought data (indirectly) from the BHB database under a licence agreement to stop paying for them because they questioned the underlying rights. One was the company Victor Chandler (International) Ltd (henceforth: VCI).¹³⁹ When the BHB sought damages for breach of contract and threatened to have the data supply stopped, VCI claimed that the licence agreement it had with the BHB was void, that stopping the supply would be a breach of contract,¹⁴⁰ and that the BHB abused its dominant position by charging excessive prices. Mr Justice Laddie refrained from anticipating the forthcoming BHB judgment of the Court of Appeal, and considered that stopping the supply was contractually permitted, and that VCI had not adequately furnished its claim of the BHB's abuse with proper and full particulars.

In a second case, a claim for abuse of a dominant position was, however, successful.¹⁴¹ The company at issue, Attheraces Ltd (henceforth: ATR), was a former licensee of the BHB.¹⁴² Awaiting the judgment of the Court of Appeal, ATR refused to renew its licence agreement. Subsequently, the BHB prohibited ATR from using its data unless it entered into a licence agreement in which high prices were charged. Mr Justice Etherton considered that the BHB continued to insist that ATR must obtain an intellectual property licence, although ATR's use of the data would not infringe any such rights of the BHB. He found that the prices which the BHB proposed were both excessively high

138 Interestingly, the presence of a substantial investment was not (yet) challenged nor assessed in a case on a database containing postcodes of the Royal Mail. *Royal Mail Group plc (formerly known as Consignia plc) v. i-CD Publishing (UK) Limited* [2003] *EWHC* 2038 (Ch). The Royal Mail accused the defendant of infringing copyright and database right in its postcode database, the PAT. It was decided that preliminary questions on the correct interpretation of a clause in the licence agreement should first be resolved, which was done in *Royal Mail Group plc v. i-CD Publishing (UK) Limited* [2004] *EWHC* 286 (Ch). The justice held that the licence clause permitted the modification of which the defendant was accused ('PAT validation') so that no infringement seemed to be at issue, but that he would hear submissions on this by the claimant.

139 *BHB Enterprises plc v. Victor Chandler (International) Limited* [2005] *EWHC* 1074 (Ch). Also see Kemp/Gibbons 2006, pp. 494-495.

140 This concerned the contract which VCI had with the middleman, PA News, which supplied the data (and which in turn had a contract with the BHB in which PA News was given permission to supply the BHB's data to others).

141 *Attheraces Ltd & Another v. the British Horseracing Board & Another* [2005] *EWHC* 3015 (Ch). Also see Kemp/Gibbons 2006, pp. 495-497.

142 It had a media rights agreement with the British race courses, which allowed it to access the courses for filming and to exploit its filmed material worldwide, excluding delivery to English and Irish bookmakers. In addition, ATR had a licence agreement with the BHB so that it could use the BHB's pre-race data for its filmed material and supply them to its customers. ATR's prices included a licence fee for its customers' use of the data of the BHB, and ATR thus paid a part of the payments it received back to the BHB.

and discriminatory compared to the prices which the BHB charged competitors of ATR.

In the Netherlands, the courts seem to have replaced the spin-off theory by the ruling of the European Court.¹⁴³ Its ruling was first applied in a case where a company called Autonet had developed a computer program for car dismantlers, which contained lists of car serial numbers, car parts and codes for car parts.¹⁴⁴ Its computer program was allegedly reproduced by the company Promasy, which had also copied the lists in it. The judge, referring to the BHB decision of the European Court, considered that the lists consisted of existing data. He also found that Autonet had substantially invested in them, because making lists for people not used to working with computer software required sufficient research, testing and adapting.

Sui generis protection was, however, denied to online databases containing data on property for sale maintained by members of the Dutch Association of estate agents.¹⁴⁵ In the case at issue, the defendant's search engine made deep links to the databases on the estate agents' web sites. Referring to the European Court's BHB decision, the judge in summary proceedings considered that the investments made by the estate agents mainly concerned the creation of data.¹⁴⁶ He acknowledged that subsequent activities, such as feeding the data into the database and updating them, may also cost time and money. Yet, he found that the claimants had not proven that they had incurred substantial costs in such activities. The estate agents did claim that the feeding of the data into a special computer program, and their verifying and updating cost 150 to 250 euros per house, but the judge considered that they had not delivered any evidence of this. On appeal, it was confirmed on the same

143 Koelman remarked that the Amsterdam District Court failed to do so in a judgment delivered two days after the European Court gave its decisions. In the case at issue, the press agency ANP accused Novum of illegally copying news articles from its database using another party's password. The judge found that the database cost substantial investment 'in the form of personnel costs et cetera' – which the defendant had not denied. President District Court Amsterdam 11 November 2004 (ANP v. Novum), *IER* 2005/1, p. 27 note K. Koelman; *CR* 2005/2, p. 77 note O. Volgenant. On appeal, the court held that ANP had not (yet) produced sufficient evidence of its claim that Novum had substantially copied from its database. Court of Appeal Amsterdam 21 July 2005 (Novum v. ANP), on the Internet: www.rechtspraak.nl.

144 President District Court Arnhem 27 December 2004 (Autonet v. Promasy), on the Internet: www.rechtspraak.nl.

145 The database of the Association (NVM) itself – a combination of the contents of the databases of all its members – was the subject of several law suits (see footnote 20). These resulted in diverse outcomes as the courts differed on whether or not to apply the spin-off theory.

146 President District Court Arnhem 16 March 2006 (Makelaars en NVM v. Zoekallehuizen.nl), *AMI* 2006/3, p. 93 note Chr. Alberdingk Thijm; *Mediaforum* 2006/4, p. 114 note T. Overdijk.

grounds that the estate agents' databases lacked a substantial investment and thus did enjoy protection by the *sui generis* right.¹⁴⁷

4.2.3.10 Conclusion

The European Court of Justice ruled in 2004 that obtaining investments merely include costs for collecting existing data, and not costs for creating new data. This restricts the investments which may be taken into account for the substantial investment required by the *sui generis* right. Next to collecting costs, presentation and verification costs also count but, according to the Court, only as long as they are not incurred during the stage of the creation of new data. Although this ruling appears firm, the activities of creation and collection may in practice not be so easy to distinguish, nor may their subsequent stages.¹⁴⁸

The Court's narrow definition of obtaining costs seems inspired by the British BHB decision by Mr Justice Laddie and slightly by the Dutch spin-off theory. This theory is based on the assumption that databases are produced either as main products or as spin-offs, and that only investments which are primarily aimed at producing the database may count for the required substantial investment. Its supporters have been criticised for not having supplied clear-cut criteria which enable a distinction to be made between spin-offs and main products. According to the Dutch Supreme Court, this lack of criteria would lead to considerable demarcation problems.¹⁴⁹ The Advocate General, in her conclusions in the four cases brought before the European Court, rejected the Dutch spin-off theory. The European Court itself did not seem to have given its opinion on the validity of this theory, but implicitly rejected it by replacing it with its own ruling. The narrow definition of obtaining costs upheld by the European Court is in our view meant to apply to all sorts of databases. This could result, however, in a lack of protection and incentive for producers who make databases for which they especially create new contents.¹⁵⁰

The desire to serve the freedom of information has been presented as an important argument in favour of the narrow definition of obtaining costs and for the Dutch spin-off theory. Database producers which create new data themselves are potentially monopolists and the *sui generis* right may still

147 Court of Appeal Arnhem 4 July 2006 (Makelaars en NVM v. Zoekalhuizen.nl), *Mediaforum* 2007/1, p. 21 note B. Beuving.

148 Besides, as we pointed out in section 4.2.3.8, a data-creating company can easily get round the Court's narrow definition of obtaining costs (and the Dutch spin-off theory) by creating another company with the sole purpose of producing databases, which makes investments to acquire the data from the first company.

149 Moreover, such a distinction could prove very difficult to make in practice; for example, unexpected commercial success might well turn spin-offs into main products.

150 A producer may do so either by making a new database from scratch, or by adding new data (added value) to existing databases produced by himself or another party.

strengthen their position. Although this right does not provide protection for individual new data, it does protect databases in which such data have been incorporated and which represent a substantial investment. There are, however, two reasons why neither the European Court's narrow definition nor the spin-off theory are effective enough to ward off information monopolies.

The first reason is that they still enable databases by sole-source producers to obtain protection by the *sui generis* right. Producing a marketable database indeed requires considerable costs for verification and presentation purposes, so that the substantial investment threshold will probably still be often met.¹⁵¹ Thus, the narrow definition of obtaining costs (and the Dutch spin-off theory) seems to be of limited effect in practice to oppose monopolistic positions.¹⁵²

Secondly, the Court's narrow obtaining definition (and the spin-off theory), we believe, tries to oppose unwelcome monopolistic effects in a way which may not be tailored to the problem. Not only will presentation and verification costs often give rise to protection by the *sui generis* right, but even when a producer lacks such protection, he can still be a monopolist.¹⁵³ Indeed, producers who are single sources of information can refuse to provide access to their information irrelevant of whether they enjoy an exclusive right therein.¹⁵⁴ Thus, in our view, abuse of information monopolies should preferably be contested by invoking competition law, compulsory licences, exceptions, or the fundamental right of freedom of information. As the first three of these legal tenets have been especially developed to oppose monopolies, they are in our view better-suited legal instruments than the somewhat artificial defining method used by the European Court, which tackles the problem in an indirect way.¹⁵⁵

151 Compare, for example, a database with newly generated data of which an internal version is maintained for in-house use, while further costs are incurred during the subsequent phase in which this internal database is made into a market product. See phases I and II in the diagram which we provided in section 4.2.3.3.

152 Also see Grosheide in his annotation on case C-203/02 (*British Horseracing Board Ltd v. William Hill Ltd*) in *IER* 2005/1, p. 23 and Davison/Hugenholtz 2005, p. 115. Besides, the spin-off theory was less effective in the Netherlands than it would have been in other countries. This is because the producer of a database that lacks a substantial investment, can often still invoke the Dutch *geschriftenbescherming* (see section 3.2.2) so that his database is protected after all. It is thus remarkable that the spin-off theory originated precisely in the Netherlands, where the *geschriftenbescherming* could often nullify its effect.

153 Compare the 'essential facilities' doctrine in the *Bronner* case of the European Court of Justice 26 November 1998, Case C-7/97, *ECR* 1998, p. I-7791. This case is discussed in section 5.2.2.2.

154 Davison/Hugenholtz 2005, p. 115 acknowledges that the Court's narrow definition does not change this and argue that an obligation should be imposed on such monopolists to deliver the data under fair and non-discriminatory terms.

155 In chapter 5, we will discuss the effectiveness of these legal instruments with regard to *sui generis* right holders who allegedly abuse a dominant position.

4.2.4 Investments in verification

After creating or collecting the contents, be it data or copyright works, these elements often need modification before they are suitable for inclusion in a database that can be sold to the public. Although raw data may suffice for an internal database, they will hardly ever be ready-made for a marketable version. For that, unsorted raw data need alignment, and often enhancement. Enhancement is carried out through adding extra information. Moreover, both internal and marketable databases will often need verification and updating, as well. In other words, the investment made for the first obtaining of the data will hardly ever be the only investment made for the production of any database. This puts the spin-off theory and the European Court's narrow definition of obtaining costs into perspective; even if creation costs may not count towards the required substantial investment, the costs incurred afterwards in what the Directive calls verification and presentation can well be large enough for protection by the *sui generis* right.¹⁵⁶

According to the European Court, verification costs must be understood as the resources used, with a view to ensuring the reliability of the information contained in that database, to monitor the accuracy of the materials collected when the database was created and during its operation.¹⁵⁷ The Court added that the resources used for verification during the stage of the creation of materials which are subsequently collected in a database do not fall within that definition. It seems to be of the opinion that merely verification costs which are especially incurred in producing the marketable published version of a database may be taken into account. However, it is not always easy to distinguish between verification carried out during the phase of data creation and during subsequent phases.¹⁵⁸

Hugenholtz specified that verification for the purposes of the Directive means checking the obtained data, and correcting and updating them, so as to ensure their accuracy and completeness.¹⁵⁹ Thus, removing data can also be part of the verification process. The activity of verification is especially relevant for databases which contain data of the sort that change regularly.

¹⁵⁶ Compare Klos 2000, p. 7 and Hagen 2002, p. 10. Likewise, Van Eechoud argues that the costs in making an internal database ready for publication may well represent a substantial investment in their own right, see her annotation on President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *Mediaforum* 2000/11-12, p. 398. Visser implies the same in his annotation on HR 22 March 2002 (NVM v. De Telegraaf), *AMI* 2002/3, p. 102. Also see Advocate General Spier in his conclusion (para. 4.37) in this 2002 Supreme Court judgment.

¹⁵⁷ European Court of Justice 9 November 2004, cases C-46/02 (Fixtures Marketing Ltd v. Oy Veikkaus Ab); C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd); C-338/02 (Fixtures Marketing Ltd v. Svenska Spel AB); and C-444/02 (Fixtures Marketing Ltd v. Organismo Prognostikon Agnon Podosfairou AE (OPAP)).

¹⁵⁸ Also see section 4.2.3.8.

¹⁵⁹ Hugenholtz 1996, p. 135.

Examples are real-time databases with stock market prices, information about property for sale, horseracing results, weather data, et cetera.¹⁶⁰ The need for updating is also apparent, but is a little less pressing, with databases containing data of subscribers or clients, library catalogues and the like. Other databases are not so subject to modification; they only change, for example, on the occasion of a new edition, such as dictionaries or encyclopaedias.¹⁶¹ According to the Database Directive, a substantial verification suffices for an existing database to be eligible for a new term of protection by the *sui generis* right.¹⁶² For this, a substantial change to the contents is needed, for instance resulting from an accumulation of successive additions,¹⁶³ deletions or alterations.¹⁶⁴

4.2.5 Investments in presentation

Next to verification costs, investments made in the presentation of the information are also relevant according to the Database Directive. The European Court has found that presentation costs concern the resources used for the purpose of giving the database its function of processing information, that is to say those used for the systematic or methodical arrangement of the materials contained in that database and the organisation of their individual accessibility.¹⁶⁵

Hugenholtz defines 'presentation' as the efforts in relation to the communication and publication of the data, such as digitising analogue material, making a thesaurus, building a user interface, creating a homepage on the Internet, preparing an edition on paper or on a CD-Rom.¹⁶⁶ Van Eechoud puts forward the expertise and time required for adding value to the raw data and for compiling them within a database, and the expenditure for hardware¹⁶⁷ and software.¹⁶⁸ Although a computer program used in the making or operation of a database does not in itself enjoy protection by the Database

160 The *Oxford English Dictionary* defines real time as: 'the actual time during which a process or event occurs, esp. one analysed by a computer, in contrast to time subsequent to it when computer processing may be done, a recording replayed, or the like.'

161 Nevertheless, their working files will probably be updated constantly in preparation for new editions.

162 Recital 54.

163 See, however, section 4.2.3.8 on the addition of newly created data.

164 Art. 10(3) of the Directive. Also see section 4.5.4.2 on dynamic databases.

165 Cases C-46/02, C-338/02 and C-444/02.

166 Hugenholtz 1996, p. 135; Hugenholtz 2005, p. 206.

167 Also see Bensinger 1999, p. 160.

168 Van Eechoud in her annotation on Court of Appeal The Hague 21 December 2000 (De Telegraaf v. NVM), *Mediaforum* 2000/2, p. 90.

Directive,¹⁶⁹ it evidently is an essential part of a digital database. For example, in a digital database the data are not physically stored in an organised manner. When a user consults the database, the computer program systematically or methodically arranges the data and thus, it ensures that the data collection meets the database definition.¹⁷⁰ An opposite view taken is that investments in the selection and/or arrangement of the data should be taken into account not for the *sui generis* right, but for the copyright.¹⁷¹ We agree with Bensinger¹⁷² that this is not correct, as the Directive does not make this distinction. Moreover, even if large investments have been made in the database's selection or arrangement, it may not be entitled to copyright. This is because with copyright, it is not investments that count but originality in the sense of the database's selection or arrangement being an intellectual creation of the author. In our view, it is contrary to the Directive to argue that investments in the selection and/or arrangement are not entitled to protection by the *sui generis* right as a rule. In 2004, the European Court confirmed that costs incurred in the selection and/or arrangement of data in a database are among the investments that count towards the required substantial investment.¹⁷³

Where hardware and/or software are concerned which have especially been bought or developed for building the database,¹⁷⁴ we believe that their costs may also count for the required substantial investment.¹⁷⁵ The German lawyers Bensinger, Leistner and Vogel are likewise of the opinion that the costs of a computer program which enables the building of the database and ensures its accessibility, have to be taken into account.¹⁷⁶

169 Art. 1(3) of the Database Directive. In relation to this article, Mr Justice Laddie put it that it is not entirely clear how to determine where the borderline lies between efforts made in the presentation and efforts in the design of a computer program which makes the database searchable. See *British Horseracing Board Limited and others v. William Hill Organization Limited* [2001] *RPC* 31, [2001] *EWHC* 516 (Pat).

170 Compare recital 21 of the Database Directive.

171 This view is described – but not advocated – by Bensinger 1999, p. 159.

172 Bensinger 1999, pp. 160-161.

173 Case C-203/02 (*British Horseracing Board Ltd v. William Hill Organization Ltd*), consideration 36.

174 This was the case with the so-called 'NVM boxes' purchased by Dutch estate agents. An NVM box is hardware designed especially for building and maintaining a database containing property for sale. The Dutch Supreme Court in its decision of 22 March 2002 (*NVM v. De Telegraaf*) decided that the hardware costs, 31 million guilders, should be taken into account not only for the internal database but also for the Internet version made thereof.

175 Where possible, their expenses should proportionally be taken into account in so far as the hardware and/or the software were used for making the database, according to a *pro rata* calculation model which, however, is beyond the tasks of a lawyer to design.

176 Bensinger 1999, p. 160; Leistner 2000, p. 153; Vogel in Schricker 1999, p. 1336, no. 17. Vogel argues that a database is protected by the *sui generis* right even when the costs for the computer program largely exceed the costs for obtaining, verification or presentation of the database contents.

Furthermore, presentation also means enhancement of raw data by way of adding extra information. For example, publishers add abstracts to legal judgments, and publishers of telephone directories add mobile phone numbers to the subscriber data of fixed numbers which they acquire from public telecom operators. In some companies, generating or collecting the raw data is done by one subsidiary company while the enhancement and verification is done by another.¹⁷⁷

In our view, presentation includes the so-called 'consolidation' of legislation. When existing legislation is revised, often a national legislator merely officially publishes the revisions. Commercial publishers and/or the public authority subsequently consolidate the legislation for inclusion in electronic or paper law databases, which means that the revised provisions are incorporated into the existing law or act, resulting in the complete text of the act currently in force. In the Netherlands, case law has demonstrated that consolidation activities may well involve a substantial investment worthy of the *sui generis* right.¹⁷⁸

Presentation also includes designing special typefaces, the alignment and the typographical arrangement of the data.¹⁷⁹ It thus covers the graphical design, composition, layout and general appearance of the contents of an electronic or non-electronic database. These investments made in the design must be allocated to the database. Besides, some of the design elements may in themselves be eligible for copyright, such as typefaces.¹⁸⁰ The presentation costs incurred in producing a marketable database will often far exceed the presentation costs incurred in its first version, the unpublished in-house database.

To conclude, next to the obtaining costs, both the costs for verification and presentation frequently amount to a considerable sum. This leads to the

177 This was, for example, the case with the Dutch public telecom operator KPN; within this holding one subsidiary company sold its data of subscribers to another subsidiary company, which enhanced them and subjected them to verification. Thus, the latter subsidiary company incurred expenses in verifying and presenting the data, but also in obtaining them. See the decision of the Dutch Independent Post and Telecommunications Authority (OPTA) 29 September 1999 (Denda and Topware v. KPN), CR 2000/1, p. 47. Dutch telecom operators are legally obliged to make their subscriber data available against non-discriminating terms to parties who want to compile telephone directories. Among other things, the OPTA had to decide how complete – or enhanced – these subscriber data must be and what should be their price. The OPTA made references to the European Court of Justice, which delivered its decision on 25 November 2004 in Case C-109/03 (KPN Telecom BV v. Onafhankelijke Post en Telecommunicatie Autoriteit (OPTA)), ECR 2004, p. I-11273.

178 President District Court The Hague 20 March 1998 (Vermande v. Bojkovski), BIE 1998, p. 390 note A. Quaadvlieg; IER 1998/3, p. 111 note J. Kabel; CR 1998/3, p. 144 note J. Spoor. Also see section 4.7.6.1 on law databases produced by a public authority.

179 Also see Bensinger 1999, p. 159.

180 This is, for example, also recognised for typographical arrangements in s. 1(1)(c) of the British Copyright Act.

question of how high the investments should actually be for *sui generis* protection.

4.2.6 The level of a substantial investment

4.2.6.1 *Indications given by the Directive and the European Court of Justice*

Precisely what is considered a substantial investment is not clarified in the Directive. The investment may be valued qualitatively or quantitatively, but the Directive remains silent on the required level. The only indication it gives is in recital 19. This states:

‘as a rule, the compilation of several recordings of musical performances on a CD does not come within the scope of this Directive (...) because it does not represent a substantial enough investment to be eligible under the *sui generis* right’.

Yet, this does not seem to be very useful, as this recital was mainly intended to avoid an accumulation of the *sui generis* right with the neighbouring right which a phonogram producer already enjoys on its phonograms,¹⁸¹ including CDs.¹⁸² Furthermore, it cannot be maintained ‘as a rule’ that the production of a CD does not require a substantial investment. Licences to be paid to the composer, the lyricist, the performers, and the phonogram producer who first recorded the musical performance will definitely not be cheap. Moreover, the storage capacity of CDs may well increase and compression techniques will enhance in future so that hundreds of musical performances can be put on them.¹⁸³ This could bring along higher costs.¹⁸⁴ Thus, in our view, the ‘rule’ in recital 19 cannot always be sustained.¹⁸⁵ Recital 55 suggests that the threshold for *sui generis* protection is not high, as it reads that a substantial verification may suffice for a substantial investment.¹⁸⁶ No qualitative or quantitative

¹⁸¹ Also see section 4.2.3.6.

¹⁸² Dutch Members of Parliament observed that if data files of all sorts – not merely musical performances – are compressed on a CD, neighbouring rights do not apply and the CD will probably represent a substantial investment. See *Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 3.*

¹⁸³ Recital 22 declares that electronic databases may also include devices such as CD-Rom and CD-i.

¹⁸⁴ Also see Derclaye 2005, p. 7.

¹⁸⁵ One could even question whether an ordinary music CD is a database, for it arguably lacks a systematic or methodical arrangement.

¹⁸⁶ Also see the Dutch Databases Study Committee Report 1999, p. 12 and De Koning 2005, p. 106.

hint is, however, given on the required thoroughness of the verification, or the minimum amount of data that must have been checked.¹⁸⁷

The silence of the Directive on the level of the substantial investment threshold was criticised during the parliamentary debates on the implementation in many Member States. The vagueness of the criterion of substantiality has led the Netherlands, France and the United Kingdom to safely transpose the condition of 'substantial investment' by literally copying it. Indeed, a transposition which tries to clarify this formula could easily deviate from the intended European meaning. However, until the European Court of Justice has provided clear guidance on this meaning, the problem of interpretation and application still remains with the national courts, with an equal risk of differences between the Member States.

Yet, the European Court specified in 2004 that not all the costs incurred in obtaining the database's contents may count towards the substantial investment. It has substantially narrowed the relevant obtaining investments by excluding costs incurred in the creation of new data.¹⁸⁸ As a result, it decided that no substantial investment was present in a football fixtures database, while it implied the same for a large database containing horseracing data.

The European Court also established in 2004 that it is the investments in the database's production which count towards the *sui generis* right, and not the economic value¹⁸⁹ a database proves to have after it has been put on the market.¹⁹⁰ The consequence of this is that databases which have cost hardly anything to make but which turn out to sell like hot cakes, may not enjoy *sui generis* protection.¹⁹¹ This shows, in our view,¹⁹² that the Directive does

187 Hagen 2002, p. 9 argues that this verification must have resulted in a new database. In his view, this is true if the old database is hardly or not recognisable in the new version, if the new version has made the old database useless, or if the new database has a large surplus value compared to the old database.

188 European Court of Justice 9 November 2004, cases C-46/02 (Fixtures Marketing Ltd v. Oy Veikkaus Ab); C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd); C-338/02 (Fixtures Marketing Ltd v. Svenska Spel AB); and C-444/02 (Fixtures Marketing Ltd v. Organismoa Prognostikon Agnon Podosfairou AE (OPAP)). See a discussion in sections 4.2.3.7 and 4.2.3.8.

189 According to Posner 1992, p. 12 the economic value of something is how much someone is willing to pay for it or, if he already possesses it, how much money he demands for parting with it.

190 Also see Bensinger 1999, p. 156 and Hugenholtz 1996, p. 134 who states that the simple fact that a database represents a high economic value does not bring about a *sui generis* right. The economic value of the contents has, however, been held relevant for assessing infringements of the *sui generis* right in case law and literature, but the European Court of Justice has rejected this, see more extensively sections 4.5.3.2b and 4.5.3.2c.

191 The opposite may be true, for example, for an alphabetical list of all the footballers who ever played for the national team of Andorra. If relatively few people are interested in acquiring such a database, its economic value is low. Still, it may well have cost great effort to make, which results in *sui generis* protection.

not adhere to the adage 'What is worth copying is *prima facie* worth protecting'.¹⁹³

4.2.6.2 Exclusion of insignificant investments

Gaster states that the required threshold of a substantial investment is not satisfied with small investments.¹⁹⁴ Thus, not all investments qualify for the *sui generis* right. Gaster advocates an orientation towards British copyright law with its 'sweat of the brow' doctrine.¹⁹⁵ According to this doctrine, the expenditure of labour, skill or money suffices for copyright protection. This formula resembles the wording of recital 40, which reads that the required investment may consist in the deployment of financial resources and/or time, effort and energy. Speyart is of the opinion that the requirement of the *sui generis* right was intentionally geared to the British copyright threshold, so as to diminish the pain inflicted upon the United Kingdom and Ireland due to the Directive's heightened threshold for copyright protection.¹⁹⁶

In any case, fixing the substantial investment threshold by way of a minimum level in euros is not desirable, as Frequin observes.¹⁹⁷ This would exclude small producers from protection, whereas they have the same need as large producers for securing a remuneration to amortise their investments.¹⁹⁸ Nevertheless, the low threshold applied by the Directive is opposed by some,¹⁹⁹ because they fear a monopolisation of unprotected information.

As the Directive does not give assessment criteria, we are left in the dark as to what exactly is a high or a low investment.²⁰⁰ Hagen argues that a substantial investment should be interpreted as an essential investment, just

192 In the same sense Derclaye 2005, p. 10. The opposite is upheld by Leistner 1999, p. 168 and a German decision of the administrative tribunal of Rostock of 20 February 2001, discussed by Derclaye 2005, p. 19.

193 See section 3.4.2 on this adage which originates from British case law on copyright.

194 Gaster 1999, p. 121 no. 476.

195 Gaster 1999, p. 122 no. 482. See section 3.2.4 on the British 'sweat of the brow' doctrine.

196 Speyart 1996, p. 173.

197 Frequin 1999, p. 12. Also see Derclaye 2005, p. 23.

198 Compare recital 48. An exception – brought forward by Leistner 2000, p. 165 – applies to databases which cost so little investment that they were not made with the prospect of a potential amortisation. However, the question whether a producer has such a prospect or not is in our view not decisive for determining whether the database represents a substantial investment.

199 For example, Klos 2000, p. 6 is of the opinion that the threshold should not be too low. Also see Derclaye 2005 who studied different views in the literature and case law on the required level of the substantial investment.

200 Hornung 1998, p. 112 argues that an indication is given by recital 7, which in his view gives rise to a comparison between the considerable costs required for producing the database on the one hand, and the few expenses with which the same database can be copied on the other hand. We do not believe that this is a useful criterion for assessing a substantial investment, and we doubt that recital 7 was meant to give such a criterion.

as it was transposed in the German implementing legislation.²⁰¹ He states that one should assess, on a case by case basis, what is the (commercially relevant) essence of (the investment in) the database. If an investment in a specific database would be commercially unappealing without a form of legal protection against infringement, then Hagen believes this to be an indication that the database at issue represents a substantial investment.²⁰² However, in our opinion this is not a useful criterion as we doubt whether producers would refrain from investing in databases for lack of such protection. Indeed, databases were already being made before the Database Directive came into effect. Besides, databases are still being produced in the United States, where a special protection for databases is (as yet) absent.²⁰³ Another argument against Hagen's view is that the *sui generis* right is available not only for databases which are commercially exploited but also for databases that have merely been made for in-house or private use by the producer.²⁰⁴

4.2.6.3 Flexible criterion

Bensingers plausibly claims that the threshold of a substantial investment seems to be meant as a flexible criterion enabling assessment on a case by case basis.²⁰⁵ In this way, it can also take account of future technological progress. As a result of this progress, it is expected that the costs of making databases will decrease in the future, and a fixed threshold – as opposed to the present flexible one – would not be able to adapt to this development.

The Directive's threshold induces one to assess a database within the context of databases comparable in subject-matter and size,²⁰⁶ provided that such a reference group exists. Otherwise, one could make an international comparison. If standard databases exist in a special sector, then they may provide a clue as to the minimum investment which their production requires. In that case, Bensingers states that it is in line with the purpose of the Directive that the *sui generis* right should be available for databases which represent the level of investment customary in such databases. She and Derclaye rightly

201 § 87a(1) of the German Copyright Act requires a *wesentliche Investition*. Also see Italy, where art. 102-bis(1)(a) of the Copyright Act requires *investimenti rilevanti*.

202 Hagen 2002, pp. 12-13.

203 Instead, there are alternative ways to control the use of their contents, for example, by way of contracts or technical protection measures.

204 In the same sense Bensingers 1999, p. 156; Spoor/Verkade/Visser 2005, para. 16.7, p. 621.

205 Bensingers 1999, pp. 163 and 169. Also see Derclaye 2005, p. 23, who studied different views on the level of the substantial investment. On the other hand, Speyart 1996, p. 173 expressed the expectation that after a few lawsuits a threshold for a substantial investment would establish itself in figures. Unsurprisingly, this has not become true.

206 Frequin 1999, p. 12 adds that one must also compare with the same type of producer, with which we agree. If not, Hornung 1998, p. 112 footnote 512 rightly states that differences in the financial positions of producers could have the effect that a rich producer less often makes a substantial investment than a producer with a smaller capital.

stress that it was not the Directive's goal to only reward exceptional databases in which very large investments have been made.²⁰⁷

4.2.7 The substantial investment in case law

4.2.7.1 The Netherlands

The courts in the countries we studied indeed provide evidence of applying a low threshold to the substantial investment criterion. In some borderline cases one could even doubt whether the required level was met.

Such a borderline case is the first Dutch case decided under the Databases Act.²⁰⁸ Here, the plaintiff had a web site where he maintained a daily changing list of circa 50 hyper links to pornographic web sites. The hyper links were mainly gathered by others who e-mailed the links to the defendant who published a selection thereof daily. The defendant was accused of copying the list of the plaintiff with only slight changes. In turn, he questioned whether the plaintiff substantially invested in his list, given that he copied them from the Internet against low costs. Thus, his investments were arguably not quantitatively substantial. Nevertheless, selecting the links and making descriptions of them²⁰⁹ could perhaps in a qualitative sense cost time, effort and energy. Yet, does a list of web links which cost three hours to produce represent a substantial investment? The court decided that it did, whereas we believe that this is disputable.²¹⁰ Regrettably, the court did not provide grounds for its judgment.²¹¹

However, in other Dutch decisions databases were found to lack a substantial investment. As we discussed above, this was the result of some courts applying the spin-off theory.²¹² Instead, the Dutch courts now seem to follow the approach upheld by the European Court of Justice in its 2004 decisions.

207 Bensinger 1999, p. 164; Derclaye 2005, pp. 22-23 referring to a German decision of the administrative tribunal of Rostock of 20 February 2001.

208 President District Court Amsterdam 16 December 1999 (Ter Wee v. Van den Haak), *Mediaforum* 2000/2, p. 62 note D. Visser.

209 Such as: mature women in action.

210 Visser also expressed doubts in his annotation on the case. In a similar case, a substantial investment was denied in a collection of hyper links by the Court of Appeal Leeuwarden 23 July 2003 (Gratiz.nl), *JAVI* 2003/5, p. 189 note K. Gilhuis.

211 Besides, it can be doubted whether this list qualifies as a database, since it did not show a systematic or methodical arrangement. On similar grounds, the President of the District Court in Groningen decided that neither a newspaper nor its subset, the job vacancies section, qualified as a database. President District Court Groningen 18 July 2002 (Wegener v. Hunter Select), *CR* 2002/5, p. 315; *AMI* 2002/5, p. 196 note K. Koelman; *Mediaforum* 2002/5, p. 301 note T. Overdijk; *JAVI* 2002/3, p. 100 note W. Pors. Also see section 2.2.3.1.

212 See sections 4.2.3.2 and 4.2.3.3.

For example, a substantial investment was denied in TV listings,²¹³ and in databases with property for sale maintained by estate agents, whose demonstrable investments merely concerned the creation of new data.²¹⁴

4.2.7.2 France

French judgments in which databases met the substantial investment threshold far exceed those in which the opposite was established. Since the implementing legislation took effect in France, a substantial investment was acknowledged in a telephone directory,²¹⁵ a web site which published press releases originating from companies quoted on the stock exchange,²¹⁶ a web site offering job vacancies,²¹⁷ a paper catalogue containing addresses of salon exhibitors,²¹⁸ a database containing advertisements,²¹⁹ an in-house company

213 This was done rather implicitly in President District Court Amsterdam 28 July 2005 (SBS Broadcasting BV v. Quote Media Holding BV, MNTB BV, MTV Networks BV), *NJ Feitenrecht-spraak* 2005, no. 339.

214 See a discussion of this case in section 4.2.3.9. On the other hand, pop chart lists were implicitly considered protected databases without any grounds being given in President District Court Amsterdam 30 June 2005 (GfK Benelux Marketing Services BV, Stichting Mega Top 100, Stichting Nederlandse Top 40 v. Van Oeffelen), on the Internet: www.rechtspraak.nl.

215 Tribunal de commerce Paris 18 June 1999 (SA France Télécom v. Sarl MA Editions et SA Fermic devenue Iliad), *D.I.T.* 1999/4, p. 57 note C. Giro; *MMR* 1999/9, p. 533 note J. Gaster; *D.* 2000/5, jur., p. 105 note D. Goldstein; Gaster 2000-I, p. 42; Gaster 2000-II, pp. 90-91; Derclaye 2005, pp. 12-13.

216 Tribunal de commerce Nanterre 4 October 1999 and 16 May 2000 (SA PR Line v. SA Communication & Sales et Sarl News Invest), on the Internet: www.legalis.net, confirmed by CA Versailles 11 April 2002 (Sarl News Invest v. SA PR Line), *RIDA* 2002/194, p. 247 note A. Kéréver; Derclaye 2005, p. 16.

217 TGI Paris 8 January 2001 (SA Cadremploi v. SA Keljob), on the Internet: www.juriscom.net; Derclaye 2005, p. 14 and CA Paris 25 May 2001 (SA Keljob v. SA Cadremploi), *Propriétés Intellectuelles* 2001/1, p. 92 note J. Passa. TGI Paris 5 September 2001 (SA Cadremploi v. SA Keljob et Sté Télécommunications France), on the Internet: www.legalis.net. In the first judgment, it was established that Cadremploi had 'enormously invested', while this was specified in numbers in the September decision: the database has cost Cadremploi 83 million French francs to produce and maintain. Moreover, it was being daily updated by four full-time employees. On the other hand, a court in Rennes found no substantial investment in another job vacancies database. Here, the defendant had argued that employers paid the claimant for having their vacancies incorporated in the database. TGI Rennes 16 June 2005 (Precom, Ouest France Multimedia v. Directannonces), on the Internet: www.legalis.net.

218 TGI Paris 31 January 2001 (Groupe Miller Freeman (devenue Reed Expositions France) et SA Safi v. Sarl Neptune Verlag), on the Internet: www.legalis.net. TGI Paris 22 June 1999 (Groupe Miller Freeman, Miller Freeman France, Safi et Stil v. Sté Tiget), Gaster 2000-I, pp. 42-43; Gaster 2000-II, p. 91, confirmed on appeal by CA Paris 12 September 2001 (Sté Tiget v. Sté Reed Expositions France, Sté Salons français et internationaux Safi), *JCP* 2002.II.10000 note F. Pollaud-Dulian; Derclaye 2005, pp. 14-15. CA Paris 20 March 2002 (Construct Data Verlag v. Reed Expositions France), *PIBD* 2002/746, III-331; Derclaye 2005, p. 15.

database with e-mail addresses of employees,²²⁰ a web site listing recipes,²²¹ an Internet database presenting auction prices of works of art,²²² a CD-Rom with information on all French municipalities, departments and regions,²²³ a database with information on properties for sale and buyers,²²⁴ a database describing medicines,²²⁵ and a web site listing the dates of bank holidays worldwide.²²⁶ A substantial investment was denied in a publication of circa 100 pages containing calls for tender arranged geographically,²²⁷ a database arranged alphabetically,²²⁸ and a job vacancies database.²²⁹

A justified conclusion from this extensive case law is that French courts tend to apply a low threshold when assessing the presence of a substantial investment in a database.²³⁰ However, some judgments would perhaps have had a different outcome if they would have been decided after the 2004 decisions of the European Court, because some cases arguably concerned databases for which data were created, such as telephone numbers.

219 TGI Paris 14 November 2001 (SA Les Editions Néressis v. SA France Télécom Multimédia Services), on the Internet: www.legalis.net.

220 TGI Paris 25 April 2003 (Sonacotra v. Syndicat Sud Sonacotra), Derclaye 2005, pp. 16-17; on the Internet: www.legalis.net.

221 TGI Paris 11 June 2003 (Cap Equilibre & M. Lairis v. Milloz), Derclaye 2005, p. 16. The web site cost almost seven years of full time work.

222 CA Paris 18 June 2003 (Credinfor v. Artprice.com), Derclaye 2005, pp. 13-14; on the Internet: www.legalis.net.

223 TGI Strasbourg 22 July 2003 (Jataka, Pierre M. v. EIP, Patrick G.), on the Internet: www.legalis.net. The court found that the collecting, verification (including regularly updating), and the presentation of the information in the database required a substantial investment.

224 Tribunal de commerce Nanterre 14 May 2004 (Consultants immobilier v. Aptitudes immobilier), on the Internet: www.legalis.net.

225 Tribunal de commerce Paris 19 March 2004 (Société OCP Répartition v. Société Salvea), on the Internet: www.legalis.net.

226 TGI Paris 19 September 2005 (Edit Internet et Translation v. Olivier B.), on the Internet: www.legalis.net.

227 CA Paris 18 June 1999 (SA Groupe Moniteur et autres v. Sté Observatoire des marchés publics), *RIDA* 2000/183, p. 316; *GRUR Int* 2000, p. 799; Gaster 2000-I, p. 43; Gaster 2000-II, p. 91. The calls for tender were supplied to the claimant by the advertisers, and the appeal court held that the claimant failed to demonstrate a substantial investment in the publication's production. Lucas/Lucas 2001, p. 638 footnote 28 criticise this court for its statement that the publication of the advisements was not in the first place the object of investments, but that it was instead a lucrative and profitable activity, given that the advertisers had to pay for the insertion of their advertisements. Lucas/Lucas object that the Directive does not deny *sui generis* protection to profitable investments.

228 Tribunal de commerce Paris 16 February 2001 (AMC Promotion v. CD Publishers Construct Data Verlag GmbH), Derclaye 2005, p. 18. The investment in arranging the data by alphabetical order was not considered to be substantial.

229 TGI Rennes 16 June 2005 (Precom, Ouest France Multimedia v. Directannonces), on the Internet: www.legalis.net. See footnote 217.

230 The same conclusion was drawn by Derclaye 2005, p. 17.

4.2.7.3 The United Kingdom

British case law on databases decided under the CRDR is so far rather scarce.²³¹ A leading case is the already discussed 2001 decision on the British Horseracing Board's database in which Mr Justice Laddie amply elaborated on several aspects of the *sui generis* right. He stated that the requirement of a substantial investment constitutes a fairly low threshold.²³² It is to be expected that his statement will influence other British courts seized to decide upon database cases. Yet, they have to comply with the (narrow) margins set by the European Court in 2004 as to the sort of obtaining investments which may be taken into account.²³³

4.2.8 Conclusion

The substantial investment criterion is a vague concept meant by the Directive as a flexible criterion to be applied on a case by case basis. In assessing whether a database meets this criterion, it must be compared to databases of comparable subject-matter and size. It may perhaps be considered a drawback of the substantial investment threshold that it requires making economic comparisons. Such comparisons are not easy for the courts to make, trained as they are in the law, and not in economics.

The substantial investment criterion represents a fairly low threshold, which is geared towards the British copyright threshold known as 'sweat of the brow'.²³⁴ Although the threshold for *sui generis* protection may be low, it was nevertheless intended to exclude small investments.²³⁵ If it was the

231 Apart from the case discussed in this subsection, there were the following judgments. In them, no principal questions relating to the *sui generis* right were decided upon, instead they focused on the correct interpretation of clauses in licence agreements or undertakings (except for the 1999 case, discussed in section 3.2.4, and the decision in SieTech Hearing v. Borland & Ors). Mars UK Ltd. v. Teknowledge Ltd. [2000] F.S.R. 138 (Ch. 1999), EIPR 1999/9, p. N-158 note J. Watts. Royal Mail Group plc (formerly known as Consignia plc) v. i-CD Publishing (UK) Limited [2003] EWHC 2038 (Ch) and Royal Mail Group plc v. i-CD Publishing (UK) Limited [2004] EWHC 286 (Ch). Jobserve Limited v. Relational Designers Limited & Others [2002] EWHC 176 (Ch). Jobsearch Limited v. Skillsite Limited [2004] EWHC 661 (Ch), [2004] F.S.R. 762. SieTech Hearing v. Borland & Ors [2003] ScotCS 37.

232 British Horseracing Board Limited and others v. William Hill Organization Limited [2001] RPC 31, [2001] EWHC 516 (Pat). Comments on this case were written by Hughes 2001, pp. 12-13; Marshall 2001, p. 31 and Gaster 2001 (CuR Int 2001/3), pp. 74-78. See the facts at issue in section 4.2.3.5.

233 As a result of the European Court's BHB judgment, the Court of Appeal decided that the BHB's database containing horseracing data lacked a substantial investment, as opposed to Mr Justice Laddie who in first instance decided that it did represent such an investment. See sections 4.2.3.5 and 4.2.3.9.

234 See section 3.2.4 on this British threshold.

235 Bensinger 1999, p. 164.

Directive's aim to include them, then it would – and should – have refrained from stipulating a condition for the *sui generis* right altogether.²³⁶

Many sorts of costs are involved in the production of a database. It may be expected that the production costs of a database – being the total of the obtaining, verification and presentation costs – will often come up to the low threshold of a substantial investment. Early case law from the Netherlands, France and the United Kingdom indeed provides evidence of this.

However, as for investments in obtaining the contents, the European Court of Justice established in 2004 that costs incurred in creating data may not count towards the required substantial investment, but only investments in collecting existing data. This approach is somewhat related to the spin-off theory developed in the Netherlands, which it has now replaced. The Court's narrow definition of 'obtaining' distinguishes between creating and collecting data, and also between the stage of data creation and subsequent stages of the database's production. It has rightly been objected that these distinctions are not easy to make in practice. From the national case law dating after 2004 – although still scarce – it may be derived that, due to a lack of a substantial investment, less databases than before will be protected by the *sui generis* right.

4.3 THE *SUI GENERIS* RIGHT HOLDER: THE PRODUCER

4.3.1 Introduction and implementation

The Directive describes the holder of the *sui generis* right as the person who takes the initiative and the risk of investing in the database.²³⁷ In most cases, this will be a legal person – the company producing the database – but it is also possible that a private person develops a database on his own.

The holder of the *sui generis* right is called the 'fabricant' in the original French version of the Directive,²³⁸ while the English version uses the term 'maker'. France²³⁹ and the Netherlands²⁴⁰ instead use the term 'producer'

²³⁶ Leistner 2000, pp. 163-164.

²³⁷ Recital 41, in the original French text: 'le fabricant d'une base de données est la personne qui prend l'initiative et assume le risque d'effectuer les investissements'. Gaster 1999, p. 123 no. 484 states that both the initiative and the risk relate to the investments to be undertaken.

²³⁸ The Directive introduced the French term 'fabricant' instead of 'producer' to avoid confusion with the right holder of copyright, as in some Member States (such as the United Kingdom) producers are initially entitled to copyright. See Pollaud-Dulian 1996, p. 534 footnote 32; Koumantos 1997, p. 119; Lucas 1998, p. 109, no. 222.

²³⁹ Brüning 1998, p. 382 criticises the rejection of the original term 'fabricant', whereas Lucas and Gaudrat approve of the choice for 'producteur', arguing that it is a more adequate and a more customary term. See Lucas 1996, no. 22; Lucas 1998, p. 109, no. 222; Gaudrat 1999-I, p. 103.

in their implementing legislation, while the United Kingdom – like the Directive’s English version – speaks of the ‘maker’.²⁴¹

Remarkably, the Directive placed the definition of the holder of the *sui generis* right only in a recital, whereas this important concept had merited a separate article in the Directive itself. Possibly as a consequence of this omission, the Member States implemented the producer definition in varying ways.

France links the producer’s definition in recital 41 to the central requirement for protection by the *sui generis* right, being the substantial investment. Accordingly, its implementing legislation states:²⁴²

The producer of a database, understood as the person who takes the initiative and the risk of the corresponding investments, benefits from protection of the contents of the database when its constitution, verification or presentation shows that there has been a substantial financial, technical or human investment.

In the United Kingdom, the definition specifies what the initiative and risk should be directed at. Here, the maker is defined as:²⁴³

the person who takes the initiative in obtaining, verifying or presenting the contents of a database and assumes the risk of investing in that obtaining, verifying or presenting.

In short, Cornish calls him the investing initiator.²⁴⁴ The British implementing legislation moreover specifies that the employer is to be considered as the maker of a database made by his employee in the course of his employment.²⁴⁵ A national peculiarity is that Her Majesty the Queen and the Houses

240 Quaedvlieg 1998-III, p. 404 argues that the Dutch legislator rightly uses the term ‘producer’ instead of ‘fabricant’ (in English: manufacturer), as the term ‘producer’ is in common usage for developers of immaterial products and has become current within the law of intellectual property, whereas ‘manufacturer’ is used in the context of physical products, such as blank CD-Roms. Hugenholtz 1998-III, p. 244 and Frequin 1999, p. 17 footnote 12 also approve of the term producer instead of manufacturer.

241 Perhaps, this was done to avoid confusion with copyright since in the United Kingdom, producers of sound recordings and films are first owners of copyright in accordance with s. 178 CDPA. Interestingly, they were still called makers in the British Copyright Act of 1956, which was repealed by the CDPA in 1988. See Copinger and Skone James 1999, p. 210, para. 4-59 and p. 206, paras. 4-51 and 4-52.

242 New art. L. 341-1 of the CPI, see Appendices 5 and 6.

243 Reg. 14 of the CRDR. According to reg. 15, the first owner of the database right is the maker. See Appendix 7.

244 Cornish 2003, p. 786 para. 19-38.

245 Reg. 14(2) CRDR. This provision could well be regarded as superfluous because it is the employer, and not the employee, who will be the party taking the initiative and the risk of investing in the database. Also see Gaster 1999, pp. 123-124 nos. 488-489.

of Parliament are recognised as makers of databases.²⁴⁶ Given the silence of the Directive on the particularities of the *sui generis* right holder, these British provisions may perhaps be permitted as national specifications.²⁴⁷

While the producer definitions in France and the United Kingdom are in accordance with recital 41, this is not the case in the Netherlands. In the Dutch Databases Act, the producer is:²⁴⁸

the person who bears the risk of the investment for creating the database.

Interestingly, the element of the initiative mentioned in recital 41 was deliberately omitted by the Dutch legislator. Differing views have indeed been expressed in the literature on the role and importance of the factors of risk and initiative, as we will show in the next section.

4.3.2 The factor of initiative versus commissioning situations

Some English and French authors stress that the conditions of taking the initiative and assuming the risk have to be met cumulatively.²⁴⁹ It was also suggested that there is no maker in a situation where one party takes the initiative, while another party assumes the investment risk.²⁵⁰ In turn, it has been advocated that these parties are then to be regarded as joint makers.²⁵¹

In the Netherlands, however, the legislator chose to delete the factor of initiative altogether. The Explanatory Memorandum accompanying the Dutch Databases Act observed that the Directive makes the assumption that the producer who takes the risk of investing in the database, will also be the person who has taken the initiative to make it. This assumption is, however, not always correct according to the Memorandum, since it is conceivable that a party does not take the initiative itself, but is commissioned to build the database. The purpose of the *sui generis* right is to protect the investments of the producer and, therefore, the Explanatory Memorandum argues that only the person who takes the risk of investing is entitled to the *sui generis* right. Thus, it states that the taking of the risk is decisive in establishing whether the commissioning party or the commissionee is the right holder, and that the element of initiative is redundant. Recital 41 explicitly states that sub-contractors are not producers and the Explanatory Memorandum agrees with

²⁴⁶ Regs. 14(3) and 14(4) CRDR. Its copyright equivalents are ss. 163 and 165 CDPA, see section 3.3.4.

²⁴⁷ Also see the end of section 1.3.4.

²⁴⁸ Art. 1(1)(b). See Appendices 3 and 4.

²⁴⁹ Bull 1998-II, p. 368; Rees in Rees/Chalton 1998, p. 61; Gaudrat 1999-I, p. 104.

²⁵⁰ Chalton 1998, p. 181.

²⁵¹ Rees in Rees/Chalton 1998, p. 62. See section 4.3.6 on joint ownership of the *sui generis* right.

this, arguing that persons who are involved in the development of a database but who do not make investments in it are not eligible for the *sui generis* right.²⁵²

The Dutch definition of the producer has met with both approval and criticism. Verkade/Visser, Frequin²⁵³ and Hugenholtz²⁵⁴ agree with the removal of the condition of the initiative. Verkade and Visser argue that this condition is hardly distinctive.²⁵⁵ They state that in the case of a commission neither commissionees²⁵⁶ nor subcontractors are producers under the Directive, whereas the producing party is the right holder when he develops the database at his own expense and risk. In accordance with the Explanatory Memorandum, several authors argue that in the case of a commission the commissioning party should solely be entitled to the *sui generis* right.²⁵⁷

Quaadvlieg has criticised the producer definition in the Dutch Databases Act.²⁵⁸ He opposes the view that the commissioning party is the right holder of the *sui generis* right when this party has taken the risk of investing in the database. He distinguishes the commissioning party from the producer, whom he presupposes to be the (legal) person who actually develops and produces the database. In his view, the Directive starts from the same presupposition since it seeks to protect the database industry and not its commissioning parties. This opinion is also held by Frequin.²⁵⁹ Quaadvlieg argues that the Dutch implementing legislation thus incorrectly uses the risk of investing as a sole condition for protection, resulting in parties other than producers possibly becoming right holders as well. Furthermore, he believes that the Explanatory Memorandum puts too much emphasis on the taking of the

252 Explanatory Memorandum, Kamerstukken II 1997/98, 26 108, no. 3, p. 9.

253 Frequin 1999, p. 12.

254 Hugenholtz 1998-III, p. 245 footnote 8.

255 Verkade/Visser 1999, p. 10. They wonder, for example, whether taking the initiative includes launching an idea or forming a working group for investigating the need for a certain new database.

256 Verkade/Visser 1999, p. 11. A seemingly less strict opinion is expressed in Spoor/Verkade/Visser 2005, para. 16.9, p. 625.

257 Bull 1998-II, p. 369. Speyart 1996-II, p. 172 and Gaudrat 1999-I, p. 104 also seem to support this view. It is interesting to compare the solution in the first U.S. bill which proposed a *sui generis* protection for databases, the 'Database Investment and Intellectual Property Antipiracy Act of 1996' H.R. 3531. This stated in s. 2 that where a database is made pursuant to a special order or commission, the database maker is the person who ordered or commissioned it, unless otherwise provided by contract.

258 Quaadvlieg 1998-III, pp. 404-406.

259 Frequin 1999, p. 12. He argues that the producer/publisher does not need to have taken the initiative for making the database in order to get protection by the *sui generis* right, as it was the goal of the European Commission to heighten the competitiveness of the risk-bearing, database-producing industry.

financial risk, which is also argued by Hugenholtz,²⁶⁰ and Spoor/Verkade/Visser.²⁶¹

Quaadvlieg postulates that the initiative and risk meant by recital 41 rest by definition with the producer – also in commissioning situations – since these two factors must be related to investments in the contents of the database. Indeed, the sort of investment the Directive protects is described in recitals 39 and 40 as the financial and professional investment in obtaining, verifying or presenting the contents of the database, which may consist of financial resources or the expenditure of time, effort and energy.²⁶² These investments are typical for producers of databases rather than for commissioning parties.²⁶³ The commissioning party finances the development of the database, but this is not the risk meant by the Directive according to Quaadvlieg. Furthermore, the initiative in his opinion must be aimed at the investments made for the contents of the database, not at commissioning the database.²⁶⁴ Like the Dutch legislator, Quaadvlieg does not consider the initiative to be a distinctive factor. According to him, the *sui generis* right should – in accordance with the Directive – only be conferred as a reward for the risks taken by the innovating industry which actually produce the databases, not the commissioning parties.

4.3.3 Subcontractors

The aim of the producer definition in recital 41 according to Quaadvlieg is merely to distinguish the producer from its subcontractors who remain without protection. The end of the recital reads:

the maker of a database is the person who takes the initiative and the risk of investing; whereas this excludes subcontractors in particular from the definition of maker.

For example, a company which produces blank CD-Roms and delivers them to a producer of databases is not entitled to the *sui generis* right on these

260 Hugenholtz 1998-III, p. 245. Where the combined expenditure of money, labour and know-how has produced a database, Hugenholtz remarks that it is not clear why only the person who furnished the money should be entitled to the *sui generis* right.

261 Spoor/Verkade/Visser 2005, para. 16.9, p. 625.

262 The investments have accordingly been specified in the definition of the producer in the implementing legislation of both France (art. L. 341-1 CPI) and the United Kingdom (art. 14(1) CRDR), as opposed to the Dutch transposition.

263 Quaadvlieg 1998-III, p. 405 specifies that producers who work on a commission take entrepreneurial risks; they not only directly invest in collecting the database contents – which requires choices to be made for which they take responsibility – but to be able to build databases they have also invested in know-how and infrastructure.

264 Gaudrat 1999-I, p. 104 seems to support the opposite.

databases. Only the party that produces the end-product is entitled to it – whether the database was made on commission or not. In this way, in Quaadvlieg’s opinion, the Directive ensures that the *sui generis* right is conferred on only one party, namely the industry producing the database. He nevertheless recognises that the commissioning party should be entitled to broad use rights in relation to the database, in accordance with the nature and purport of the commission contract.²⁶⁵

Recital 41 in our view is a means to identify the party that undertook the main investments in the database. The question of who undertook substantial investments is indeed decisive for assessing who is the *sui generis* right holder. Interestingly, the French, German and Italian transpositions express this by putting the substantial investment requirement in the producer definition.²⁶⁶ This is an approach which we support. The substantial investment, according to art. 7 of the Directive, must be made in the obtaining, verifying or presenting of the database contents. In most cases, such investments are made by the producer of the end-product. Subcontractors or commissioning parties are thus not likely to be *sui generis* right holders, as Quaadvlieg already observed.

4.3.4 The factor of risk

In order to distinguish the producer from subcontractors, recital 41 seems to point to a specific sort of risk taken by the producer. Quaadvlieg and Gaster call it the entrepreneurial risk.²⁶⁷ Within the context of copyright, Seignette has recognised three sorts of risks which may influence the allocation of rights between the actual creator and the producer. We believe that her approach is also useful between a producer and a commissioning party.²⁶⁸ Seignette distinguishes:²⁶⁹

- 1 *Production risk*: before commencement of the creation process, the producer [or: commissioning party] has undertaken to pay for the costs of creation and, as such, has assumed responsibility for the risk that the income from

265 Spoor/Verkade/Visser 2005, para. 2.1441, p. 49 hold the same for commission contracts in general.

266 In Italy, the producer is defined as the person who invests substantially in the making of a database or in its verification or presentation, devoting financial means, time or effort thereto. This definition is contained in a new art. 102-bis(1)(a) in the Italian Copyright Act, see Appendices 8 and 9. The new § 87a(2) in the German Copyright Act reads: The maker of a database within the meaning of this Act is the one who has made the investment defined in subsection 1.

267 Quaadvlieg 1998-III, p. 405; Gaster 1999, p. 123 no. 483, referring to the original French text of the Directive.

268 To this purpose, we added these alternatives between square brackets in Seignette’s list.

269 Seignette 1994, p. 83. Her list is also quoted by Bensinger 1999, p. 171.

the exploitation of the work will not be sufficient to cover the costs of creation.

- 2 *Organisational risk*: the producer has made considerable organisational investments in order to transform the creator's [or: employee's] contribution into a marketable product. To this definition may also be added the supervision over the creative process leading to the finished product.²⁷⁰
- 3 *Associative risk*: the work is presented to or perceived by the public as originating in the producer [or: commissioning party] rather than the creator [or: producer].

One could easily imagine situations where the first and third risk are taken by the commissioning party, instead of the producer. However, we believe that these are not the risks which matter for the allocation of the *sui generis* right. The second risk, Seignette explains, is meant to distinguish the producer of the finished product from producers of minor parts. This is in keeping with the last part of recital 41. Thus, in our opinion, it is exactly this *organisational risk* which is meant here. The Directive also otherwise supports this specific risk interpretation, as it rewards the *sui generis* right for substantial investments in the *creation* of a database, resulting in an end-product. Thus, only the organisational risk is relevant for the allocation of the *sui generis* right. The *production risk* taken by the commissioning party does not deserve protection by the *sui generis* right.

Interestingly, the same holds true for copyright; merely paying for the work does not make the commissioning party entitled to copyright protection.²⁷¹ Furthermore, this is consistent with the interpretation given in the Dutch case law to the film producer. He is defined in the Dutch Copyright Act as the 'natural or legal person responsible for the making of a film work with a view to its exploitation'.²⁷² It has been found in case law that a film producer must be more than a commissioning party who merely supplies the capital for the production of the film;²⁷³ he should also have undertaken organisational activities for the film.²⁷⁴ In a neighbouring rights context, the same is true for producers of phonograms. They must bear the organisational, financial and economic responsibilities and risks for the production of the phonogram. Visser states that a party who undertook the financial risk but did not make

270 See Seignette 1994, p. 83 footnote 1 and p. 87 footnote 17.

271 Seignette 1994, p. 85.

272 Art. 45a(3) Dutch Copyright Act.

273 For example, Court of Appeal Den Bosch 25 October 1989, NJ 1990, 99; *Informatierecht/AMI* 1990, p. 71 note J. Kabel.

274 In the same sense Spoor/Verkade/Visser 2005, para. 14.7, p. 578. According to the 1985 Explanatory Memorandum to the introduction of the Dutch articles on film copyright, a film producer must supply capital, run financial risk and hire the creative contributors to the film. Also see Seignette 1994, p. 88 footnote 20.

any contribution on the organisational front, will probably not be considered a producer.²⁷⁵ However, opinions differ on this matter. In cases where the organisational risk and the financial risk are spread between different parties, it has been held in Dutch case law and literature that the producer is the party which undertook the financial risk.

In France, Gaudrat argues that the risk element in recital 41 implies that a database must be exploited, whether against payment or for free.²⁷⁶ He thus seems to interpret risk as the production risk, which is an interpretation we do not support. With free exploitation of databases on the Internet, Gaudrat argues that the presence of a real risk is difficult to verify but should still be assumed. Referring to Gaudrat, Lucas/Lucas also conclude that the risk element in recital 41 is not compulsory. They observe that it is a new element compared to the definitions of film and phonogram producers in the French Copyright Act, which have served as examples for the database producer's definition and merely refer to the responsibility taken by the producers.²⁷⁷

4.3.5 The commissioning party as a producer

Our view that the risk meant in recital 41 is the organisational risk does not exclude commissioning parties from being eligible for the *sui generis* right. They sometimes contribute major investments to the development of a database, which because of their substantiality merit the *sui generis* right. For example, an art museum commissions a database which contains the highlights of its collection. The museum furnishes not only the images, which it selected from its digitised photograph archive, but it also delivers the accompanying text, which was written by its curators.²⁷⁸ Moreover, its employees create the design for the information's presentation. With the contents and the presentation design being entirely furnished by the commissioning party, the task left to the commissionee is to store the information on a CD-ROM and add software. Thus, the art museum may well be solely entitled to the *sui generis* protection.²⁷⁹ Bensinger rightly observes that the question of who is the holder of the *sui generis* right is directly linked to the question of which invest-

²⁷⁵ Visser 1999-I, pp. 46-47.

²⁷⁶ Gaudrat 1999-I, pp. 104-105. In our opinion, however, a database set up for internal or private use can also have a producer enjoying the *sui generis* right; the Directive does not state the contrary. In-house company databases have indeed been considered protected by this right in case law. See, for example, the French judgment of TGI Paris 25 April 2003 (Sonacotra v. Syndicat Sud Sonacotra), on the Internet: www.legalis.net.

²⁷⁷ Lucas/Lucas 2001, p. 638, no. 817-5.

²⁷⁸ See Beunen/De Cock Buning 2000 and Aalberts/Beunen 2002 on copyright and the *sui generis* right in relation to images of museum objects and museum databases.

²⁷⁹ Subcontractors who merely furnished the blank CD-Roms or the software do not enjoy the *sui generis* right on the finished product, either.

ments must be taken into account.²⁸⁰ Major investments should be distinguished from minor investments. The first merit the *sui generis* right, as opposed to the latter which are made by subcontractors.

Slightly related to commissioning situations are the following examples from case law, in which (private) persons claimed to be database producers but where another party financed the database. Regrettably, it could not be derived from the facts presented in the judgments whether, apart from the financial risk, the latter also took the organisational risk. In a 2004 French law suit, it was interestingly argued that the database at issue (a web site) maintained by two persons was a collective work, so that the (legal) person under whose name and direction it was published qualified as the producer. This argument thus borrowed the collective work regime from French copyright law. Regrettably, the court did not delve any further into this issue.²⁸¹ In another French case, the court found that an association of estate agents was the producer of a database containing property for sale and data of buyers maintained by the defendant, an estate agent who had recently broken her affiliation with the association.²⁸² The court considered that the maintenance of her database formed part of her affiliation contract. According to the court, the association made substantial investments as to costs and wages for the constitution and permanent updating of the databases jointly maintained by its affiliates. It had developed special database software, as well. A somewhat comparable case occurred in the Netherlands. Here, the company Technos acted as an agent, selling telecommunication services to clients in the name of the company ICC.²⁸³ The database with clients data maintained by Technos had been incorporated into the database of ICC. The courts at first instance and appeal held that Technos had failed to demonstrate that it had remained the *sui generis* right holder of the part it had delivered, or that it was a joint holder or the only holder of the *sui generis* right in ICC's database as a whole.

4.3.6 Joint *sui generis* right holders

Another possibility is that more than one party undertakes substantial investments for the development of a database. Referring back to our example, it is very well conceivable that both the museum and its commissionee are joint right holders of the *sui generis* right, for example, if the latter also created the design for the presentation of the contents. Although the Directive does not

280 Bensinger 1999, p. 181.

281 CA Versailles 18 November 2004 (Rojo R. v. Guy R.), on the Internet: www.legalis.net. This is a rather curious (and incorrect) judgment. See section 3.3.3 on the collective work regime.

282 Tribunal de commerce Nanterre 14 May 2004 (Consultants immobilier v. Aptitudes immobilier), on the Internet: www.legalis.net.

283 District Court Amsterdam 15 October 2003 (Technos BV v. X) and Court of Appeal Amsterdam 15 September 2005 (Technos BV v. X), on the Internet: www.rechtspraak.nl.

explicitly do so, Gaster also recognises the possibility of joint ownership.²⁸⁴ His view is supported by Hugenholtz,²⁸⁵ Verkade and Visser. The last two authors argue that in the absence of a clear contract the courts should in some situations conclude that the *sui generis* right is owned jointly.²⁸⁶ In France, Lucas/Lucas also accept the possibility of co-producers who jointly enjoy the *sui generis* right.²⁸⁷ Gaudrat, on the other hand, argues that the Directive excludes the possibility of a database having more than one producer.²⁸⁸

Interestingly, the British implementing legislation explicitly acknowledges joint ownership. It states that a database is made jointly if two or more persons acting together in collaboration take the initiative in making the database and assume the risk of investing.²⁸⁹ Opinions differ in the literature as to whether joint makers are at issue when the parties do not each fulfil both conditions.²⁹⁰ Commissioning situations are given as an example.²⁹¹ It was also remarked that if the parties are not joint-ventures or partners but their relationship is that of a contractor and subcontractor, recital 41 rules that the subcontractor cannot qualify as a maker.²⁹²

The joint ownership of the *sui generis* right introduced in the United Kingdom is inspired by and equivalent to the joint authorship known from copyright. Although the Directive does not explicitly provide for joint ownership of the *sui generis* right, we believe that such a provision is allowed in implementing legislation.²⁹³ This national specification arguably results from the Directive's silence on the subject of the *sui generis* right holder, whose description is tucked away in a recital.

In legal practice, situations may well occur where there is doubt as to who owns the *sui generis* right. Therefore, clear contracts are very important.²⁹⁴

284 Gaster 1999, p. 123 no. 486.

285 Hugenholtz 1998-III, p. 245. See footnote 260.

286 Verkade/Visser 1999, p. 11.

287 Lucas/Lucas 2001, p. 638 footnote 35.

288 Gaudrat 1999-I, p. 104. In case of commissions, he seems to imply that the commissioning party is solely entitled to the *sui generis* right, which is a view we do not support.

289 Reg. 14(5) CRDR.

290 Bull 1998-II, p. 369 and Lai 1998, p. 34 note 33 tend to answer in the negative as opposed to Rees in Rees/Chalton 1998, p. 62.

291 Bull 1998-II, p. 369 argues that both the initiative and the risk are taken by the commissioning party so that this party is solely entitled to the *sui generis* right. In her view, this is even more so when the commissioning party supplied the contents for the database and the commissionee only took care of its presentation and the database software. Laddie/Prescott/Vitoria 2000, p. 1073, para. 30.39 argue that the maker is the person or persons who take the commercial decision to create a database and invest in its production. The maker is thus not necessarily the person who actually produces the database. See, however, section 4.3.4.

292 Rees in Rees/Chalton 1998, p. 62.

293 The CRDR refer to joint makers in regs. 12, 14(4)(b), 14(5), 14(6), 18(1), 21(2) and 22(4).

294 Verkade/Visser 1999, p. 11.

This is all the more true for joint ownership situations since they may give rise to uncertainties or conflicts concerning the right's exercise.²⁹⁵

4.3.7 Subsidiary companies and take-overs

One could ask whether a holding is entitled to the *sui generis* right on a database which is produced by its subsidiary company. We would answer in the negative as, in our view, taking the organisational risk is decisive, not taking merely the financial risk. Therefore, unless the holding also undertakes organisational activities, it is the subsidiary company which owns the *sui generis* right in our view. If the holding wants to be equipped with this right, it may be thus assigned through an agreement between the holding and its subsidiary company.

During the legislative process of the Dutch transposition, some Members of Parliament put a comparable example to the Minister of Justice. They asked whether an investment bank that holds all shares in a legal person active in the development of a database, or a bank which otherwise furnishes such a legal person with investment capital, is entitled to the *sui generis* right in the database.²⁹⁶ The Minister of Justice denied this because, in his opinion, the bank does not directly become the right holder of the database. The bank did not directly assume the risk of the investment in the database nor did it take the initiative in making it.²⁹⁷

Gaster holds the same opinion concerning the purchase of a database within the context of a take-over, for example, of a telecommunications company. This company has several databases at its disposal but the acquiring company does not become the right holder of the *sui generis* right, since it did not itself invest in the development of these databases.²⁹⁸

In Dutch case law, some examples have arisen of a company which for a large sum bought a database from the company that developed it.²⁹⁹ In both cases a contract of acquisition was signed, but the facts presented in the judgments do not mention whether a provision transferring the *sui generis* right

295 Comparable conflicts may arise when a database enjoys both copyright and *sui generis* right and these rights are owned by different parties, see Lucas 1996, no. 22 and Gaudrat 1999-I, pp. 103, 107. Chalton 2000, p. 243 mentions questions such as: May the copyright owner block the producer's right to use or to license the database to third parties, and vice versa? Whose right takes priority? What will be the effect on commissioned databases? The Directive leaves these questions unresolved so that good contracts are here again vital.

296 Verslag, Kamerstukken II 1998/99, 26 108, no. 5, p. 5.

297 Nota naar aanleiding van het Verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 5.

298 Gaster 1999, p. 122 nos. 478-480. For international situations involving databases made by non-EU producers, see chapter 1 footnote 207.

299 President District Court Arnhem 4 April 2003 (Interactive Telecom Solutions Ltd and others v. De Ruijter), KG 2003, no. 112. District Court Zutphen 30 November 2005, on the Internet: www.rechtspraak.nl.

to the buyer was included. Yet, the courts without much investigation considered that the buying company had become both the owner of the physical database, as well as the holder of the *sui generis* right. This seems questionable, given that the Database Directive requires a contractual licence for the right's transfer.³⁰⁰ Arguably, without it, a buyer can only become the holder of the *sui generis* right after he himself has substantially invested in the purchased database, for example by adding value or updating it.

4.3.8 Conclusion

The Directive's definition of the producer as the person who takes the initiative and risk to invest in the database does not represent an unambiguous criterion in our opinion. Dutch authors have argued that the factor of initiative is barely useful and it was indeed wisely left out of the definition in the Dutch implementing legislation. Yet, the factor risk also poses questions because of its broadness; which risk taken by whom is decisive? Is it the risk of commissioning the database, or the entrepreneurial risk of building up database know-how and/or collecting the database contents? Merely taking the initiative to commission a database and paying for it, we believe, is not a performance worthy of the *sui generis* right. The risk thus taken is purely financial and not directly linked to the investment in the database's production itself. We argued that the organisational risk, as it was defined by Seignette, is decisive.

Still, an assessment of the risks taken only needs to be made when more than one party is involved in the process of commissioning and making a database. The main rule, we believe, is that the party which actually produces the database takes the organisational risk and thus is the *sui generis* right holder. Indeed, the purpose of the Directive is to protect the industry and not commissioning parties, as Quaadvlieg and Frequin pointed out.

Where several parties are involved in the actual creation of a database, a useful criterion to distinguish between the main producer, being the *sui generis* right holder, and the subcontractors follows from art. 7 of the Directive. Decisive is the question who undertook substantial investments in the obtaining, verification or presentation of the database contents. The French, German and Italian transpositions convincingly provide evidence of this by linking the producer definition to the substantial investment requirement. In the two last-mentioned transpositions, the producer is simply defined as the person who makes the substantial investment.³⁰¹ In many cases, this is the producer

³⁰⁰ Art. 7(3).

³⁰¹ Interestingly, the first U.S. bill which proposed a *sui generis* protection for databases – the 'Database Investment and Intellectual Property Antipiracy Act of 1996' H.R. 3531 – contained a similar definition: "database producer" means the natural or juristic person making a substantial investment, qualitatively or quantitatively, in the collection, assembly, verifica-

of the end-product, irrespective of the fact whether he made the database on a commission or not. Illustratively, the German and Italian transpositions do not seem to need the help of the factors initiative and risk to allocate the holder of the *sui generis* right.³⁰² Consequently, it would in our view be useful if the requirement of a substantial investment were to be added to the Directive's definition of the producer. Furthermore, this definition should be placed in an article instead of a recital.

Situations may occur where a commissioning party directly invests in the contents. If he and his commissionee both do so substantially, they are in our view joint owners of the *sui generis* right. In practice, however, joint ownership of the *sui generis* right is not desirable, as users would need the permission of every right holder to extract and/or reutilise the database. Clear contracts are especially vital for commissioning situations. In a commission contract, the *sui generis* right can be assigned to one party.³⁰³ If this is the commissionee, the commissioning party should obviously be equipped with broad user rights.

4.4 THE SCOPE OF THE *SUI GENERIS* RIGHT

4.4.1 Introduction

The *sui generis* right encompasses the rights of extraction and reutilisation. Both rights are defined in art. 7 of the Directive. In their scope, these rights largely correspond to the economic rights belonging to copyright.³⁰⁴ The extraction right is parallel to the reproduction right, while the reutilisation right combines the rights of distribution and communication to the public. The *sui generis* right may equally be transferred, assigned or licensed.³⁰⁵

tion, organization and/or presentation of the contents of the database'. See, however, footnote 257 on commissioning situations.

³⁰² See their producer definitions in footnote 266.

³⁰³ Speyart 1996-II, p. 174 argues that the producer will often try to arrange that he owns both the copyright and the *sui generis* right in the database. This is also upheld by Pierrat 1998, p. II-122. Moreover, copyright infringement will in most cases go hand in hand with infringement of the *sui generis* right, so that it is only efficient to have one party owning both rights. Speyart regrets that the Directive did not determine that these rights should always rest with one party.

³⁰⁴ As opposed to copyright, however, public lending is explicitly excluded from the *sui generis* right in art. 7(2). The Directive's legislative documents do not give an explanation for this exclusion. This deviation from copyright is criticised by Koumantos 1997, p. 123 and Pierrat 1998, p. II-122. The exclusion of public lending was transposed in art. 1(2) of the Dutch Databases Act, art. L. 342-1 of the French CPI, and reg. 12(2) of the British CRDR (see Appendices 3 to 7).

³⁰⁵ Art. 7(3) of the Directive, which is implemented in art. 2(4) Databases Act, art. L. 342-1 CPI, and reg. 23 CRDR. The *sui generis* right in the British CRDR is largely grafted onto the copyright in the British Copyright Act, see section 1.3.4.

Still, the precise scope of the *sui generis* right within the digital environment is not yet exactly clear. Useful indications are scarce within the definitions of extraction and reutilisation,³⁰⁶ while interpretation attempts are challenged by new technological applications, such as search engines. Whether such intermediaries infringe copyright or the *sui generis* right may well depend upon the sort of interpretation one chooses to follow, be it technical, functional, pragmatic, or else. These diverging interpretations have all been applied in case law. This chapter will show how national legislators, lawyers and the courts have dealt with several interpretation problems concerning the scope of the *sui generis* right.

4.4.2 Extraction

4.4.2.1 Introduction and implementation

Extraction is defined in the Database Directive as:³⁰⁷

the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form.

The Member States we studied closely follow the Directive in their transpositions. The Netherlands³⁰⁸ and the United Kingdom³⁰⁹ have literally adopted the extraction definition from the Directive.³¹⁰ In France, the descriptions of both the extraction right and the reutilisation right elaborate that the substantiality of a database part may be determined either ‘qualitatively or quantitatively’, a wording which is taken from the Directive’s art. 7(1).³¹¹

Extraction covers all possible – including future – forms of fixation on any sort of medium. Downloading, copying or printing are examples given by Hugenholtz.³¹² The Databases Study Committee of the Dutch Association for Copyright gave the example of someone calling an enquiry service to get a specific telephone number; this act only boils down to an extraction if the

306 As for copyright, more specific criteria have been developed in the context of the reproduction right in art. 5(1) of the Copyright Directive, and for the right of communication to the public in art. 8 of the WIPO Copyright Treaty.

307 Art. 7(2)(a).

308 Art. 1(1)(c) Databases Act.

309 Reg. 16 CRDR.

310 The same is true for Italy in art. 102-bis(1)(b) of the Italian Copyright Act (see Appendices 8 and 9).

311 New arts. L. 342-1(1) and L. 342-1(2) CPI.

312 Hugenholtz 1996, p. 135. Also see Speyart 1996-II, p. 174 and the Explanatory Memorandum to the Dutch Databases Act, Kamerstukken II 1997/98, 26 108, no. 3, p. 9.

caller writes the number down.³¹³ Gaudrat, on the other hand, advocates that the extraction right also covers memorising a database.³¹⁴ However, we believe that it is too far-fetched to consider the human brain as a medium meant by the Directive.

In the Dutch parliamentary debates during the implementation process, it was asked whether temporary reproductions in a computer's random access memory (RAM) or other temporary media are also covered by the *sui generis* right. The Minister of Justice answered that it is generally accepted for copyright that this is the case, but he remarked that the meaning of 'temporary' is dealt with in the context of the Copyright Directive.³¹⁵ He advocates that the courts follow the approach of this directive also for the *sui generis* right, by making an obligatory exception for such temporary acts of extraction and reutilisation³¹⁶ which are an integral part of a technological process for the sole purpose of enabling the use of a work and have no independent economic significance.³¹⁷ However, this obligatory exception for specific temporary reproductions can only take effect for the *sui generis* right when it is explicitly included in the Database Directive. Currently, its text includes all temporary reproductions,³¹⁸ so that interpreting the extraction right analogous to the reproduction right in the Copyright Directive would at present be contrary to the Database Directive. Still, we agree that the approach of the Copyright Directive is to be preferred. The European Commission is indeed considering to introduce the mandatory exception for certain temporary acts of reproduction also for the extraction right.³¹⁹

4.4.2.2 Indirect extraction

A reference was made to the European Court of Justice on the precise scope of the extraction right. In the context of the British BHB case, it was asked whether data must be directly derived from a database to constitute an in-

313 Dutch Databases Study Committee Report 1999, p. 15. Still, in this case no infringement is at issue because the extraction does not concern a substantial part of the enquiry service's database.

314 Gaudrat 1999-II, pp. 404, 407 and 409.

315 Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 6.

316 He overlooked the fact that the Copyright Directive only propagates this approach for acts of reproduction and not for making available.

317 The Minister of Justice based his statement on the text of art. 5(1) of the first proposal for the Copyright Directive, Brussels, 10 December 1997, COM(97) 629 final. Art. 5(1)(a) of the final directive more elaborately requires that the temporary reproduction is transient or incidental and an integral and essential part of a technological process and whose sole purpose is to enable a transmission of a work in a network between third parties by an intermediary, and has no independent economic significance.

318 Compare recital 44. Also see Gaster 1999, p. 130 no. 513 and Bensinger 1999, p. 197.

319 See the Commission staff working paper on the review of the EC legal framework in the field of copyright and related rights, Brussels, 19 July 2004, SEC(2004) 995, p. 8. For database copyright compare section 3.4.1.

fringement or whether indirect derivation is also infringing.³²⁰ In the case at issue, the British Horseracing Board (BHB) compiled and maintained a database with horseracing data which it licensed to other parties, among others, Satellite Information Services Limited (SIS). It did not grant SIS the right to sublicense the data. The BHB accused the defendant, William Hill Limited, of infringing the *sui generis* right through unauthorised copying from its database. William Hill objected that it derived its data from the database of SIS and argued that this database used not only the BHB's data, but other sources as well.³²¹

Interestingly, the European Court of Justice ruled in this case in 2004 that both direct and indirect extraction constitute infringement.³²² The Court held that:

'the concepts of extraction and re-utilisation cannot be exhaustively defined as instances of extraction and re-utilisation directly from the original database at the risk of leaving the maker of the database without protection from unauthorised copying from a copy of the database. That interpretation is confirmed by Article 7(2)(b) of the directive, according to which the first sale of a copy of a database within the Community by the rightholder or with his consent is to exhaust the right to control 'resale', but not the right to control extraction and re-utilisation of the contents, of that copy within the Community.'

This reasoning, however, does not seem sound in the context of the extraction right, as the principle of exhaustion only applies to the reutilisation right.³²³ The Court continued:

'Since acts of unauthorised extraction and/or re-utilisation by a third party from a source other than the database concerned are liable, just as much as such acts carried out directly from that database are, to prejudice the investment of the maker of the database, it must be held that the concepts of extraction and re-utilisation do not imply direct access to the database concerned.'

It could, however, be argued that this broad approach stretches the scope of the *sui generis* right too far. Before the European Court rendered its decision,

320 Reference for a preliminary ruling by the Court of Appeal (England and Wales) (Civil Division), by order of that court dated 24 May 2002, in the case of 1) The British Horseracing Board Limited, 2) The Jockey Club and 3) Weatherbys Group Limited v. William Hill Organization Limited (Case C-203/02), *OJEC* 2002 C 180/14.

321 Mr Justice Laddie considered that it was virtually certain that the data were derived directly or indirectly from the BHB's database, and he concluded that the extraction by William Hill was an infringement. See *British Horseracing Board Limited and others v. William Hill Organization Limited* [2001] *RPC* 31, [2001] *EWHC* 516 (Pat).

322 European Court of Justice 9 November 2004, Case C-203/02 (*British Horseracing Board Ltd v. William Hill Organization Ltd*), considerations 52 and 53.

323 That is why the Directive places this principle within the definition of the reutilisation right. Also see recital 43.

several lawyers indeed spoke out against the extraction right covering indirect extraction.³²⁴ We believe that they have a good reason for this, because the *sui generis* right provides protection for a database, not for individual items in it.³²⁵ The Directive grants *sui generis* protection as a reward for investing in the production of a database and, thus, it protects *a specific database* against certain acts. This protection should not follow the information taken from it. This is indeed forbidden by recitals 45 and 46 which declare that the Directive does not create new rights in the materials themselves.³²⁶ Moreover, independent collecting does not amount to an infringement,³²⁷ as is suggested by recital 18.³²⁸ On principle, strong objections may thus be advanced against the broad interpretation of the extraction right by the European Court of Justice. Still, one may argue on the other hand that the *sui generis* right is drawn up in the Directive as an absolute and exclusive right which its holder may invoke against anyone, and against direct as well as indirect extraction and/or reutilisation. These opposing but equally convincing positions only stress the ambiguity of the *sui generis* right, which forcibly tries to combine the characteristics of an exclusive intellectual property right with those of a mere protection of investments.

4.4.2.3 Extraction by intermediaries

Extraction is an act usually performed by end-users of a database, but another question is whether intermediaries can also be guilty of extraction. Case law in the Netherlands, France and Germany has dealt with the problem of the

324 Bensinger 1999, pp. 189 and 190; Chalton 2001, p. 299; Advocate General Stix-Hackl in her conclusion in case C-203/2 (British Horseracing Board Ltd v. William Hill Ltd), para. 100. The same approach is also apparent in the Dutch judgment President District Court Almelo 28 December 2000 (Presscorp v. GoldNet), IER 2001/3, p. 108; AMI 2001/3, p. 64. On the other hand, Spoor/Verkade/Visser 2005, para. 16.10 p. 626 argue that indirect extraction is covered; they mention a situation where insubstantial parts are taken from several databases, while the source of this information may be traced back to one database and the taken parts together form a substantial part of this database. The same opinion is upheld by Struik in his annotation on case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd) in CR 2005/1, p. 25.

325 Koumantos 1997, p. 117 and Advocate General Stix-Hackl in her conclusion in case C-203/2, para. 94.

326 Moreover, the Explanatory Memorandum to the Directive's First Proposal, p. 41 para. 1.2 stated: 'The right to prevent unfair extraction from a database is intended to prevent the extraction and reutilisation of the contents of a database in circumstances where the database in question is used directly as a source from which to take the works or materials, with or without adaptation of those contents. It is not a copyright, nor a right in the contents themselves.'

327 For example, in the Dutch case President District Court Zutphen 2 September 2003 (Stichting Vrije Recreatie v. de heer A.), on the Internet: www.rechtspraak.nl, proof of independent collecting was produced so that no infringement was at issue.

328 The ending of recital 18 suggests that creating a database similar to an existing one is permitted provided that the content is collected from sources other than this earlier database.

allegedly infringing role of intermediaries, in the form of client programs and specialised search engines on the Internet. These offer alternative ways of accessing another party's database, apart from the online access already provided by the producer itself.

The first Dutch case concerned the so-called *i-telgids*.³²⁹ This was a client program in the form of a free downloadable computer program developed to enable its users to search in several online databases at once. It allowed quick searches in, among other things, the online telephone directory of the large telecom operator KPN. This computer program thus enabled users to get around KPN's homepage filled with advertisements, while the required telephone numbers were presented to them directly from KPN's database. The computer program thus acted as an intermediary between the database and the end-user, but did it extract data itself? The judge made a technical assessment where he considered that the data were directly transmitted from KPN's database to the user's computer, without them being reproduced on the server of the producer of *i-telgids*.³³⁰ He thus concluded that the producer did not himself transfer data,³³¹ but merely provided users of *i-telgids* with an instrument to do so.³³²

Another sort of intermediary dealt with in Dutch case law are specialised search engines on the Internet.³³³ These search several databases (e.g. with job vacancies or property for sale) at once, or help to find the cheapest products among online suppliers. A difference with a client program like *i-telgids* is that a user does not need to download a computer program in order to use the

329 President District Court The Hague 29 June 1999 (KPN v. XSO), *Mediaforum* 2000/2, p. 64 note P.B. Hugenholtz; *IER* 2000/2, p. 72 note F. Grosheide; *Informatierecht/AMI* 2000/4, p. 71, note A. Beunen p. 58; *CR* 2000/3, p. 154 note B. Aalberts and M. Schellekens.

330 According to the current text of the Directive, no distinction must be made between temporary copies which merely enable transmission or permanent reproductions; both forms qualify as extraction.

331 Grosheide opposed this judgment in his annotation on the case, stating that there is unlawful extraction, caused by profiting from KPN's database without payment and getting around advertisements on the database's homepage. We do not support this view, as these acts do not meet the definition of extraction.

332 As for copyright, the same approach was followed concerning Kazaa's peer to peer software in Court of Appeal Amsterdam 28 March 2002 (Kazaa v. Buma/Stemra), *CR* 2002/3, p. 144; note H. Bannink in *JAVI* 2002/1, pp. 28-29. In the same sense Advocate General Verkade in his conclusion in HR 19 December 2003 (Buma/Stemra v. Kazaa); *AMI* 2004/1, p. 9 note P.B. Hugenholtz. Previously in the same case, offering this software was held to infringe the reproduction right in President District Court Amsterdam 29 November 2001 (Kazaa v. Buma/Stemra), *AMI* 2002/1, p. 21 note P.B. Hugenholtz.

333 These are especially geared to approach one database or a group of databases concerning specific subject-matter, as opposed to search engines like Google which perform searches on the whole Internet.

search engine. Instead, the search engine is stored on the server of its producer³³⁴ and is presented to the user in the form of a web site.

The Dutch search engine *El Cheapo* offered access to, among other things, databases with property for sale including that of the claimant. The results which this search engine came up with after a query were (temporarily) reproduced on its server; in order for the user to be able to see these results, they had to be arranged in a list and presented with a specific layout on a web page. Such a result contained basic information on the property (address, category, price) and a deep link to the database at issue where more detailed information could be found.³³⁵ In summary proceedings, the judge decided that *El Cheapo* had extracted data from the claimant's database because after it was presented with a query, the engine reproduced data from the plaintiff's database on its server and kept them there for some time.³³⁶ The judge was obviously of the opinion that the engine itself made the reproductions. This presumption was apparently also upheld in this same case by the appeal court³³⁷ and the Dutch Supreme Court.³³⁸ In a copyright context, the same approach was implicitly taken in a case on a search engine enabling access to online databases maintained by estate agents.³³⁹ These courts thus followed a *technical* approach, which considers relevant whether the server plays an indispensable role in the functioning of the intermediary. Accordingly, the producer of an intermediary makes an extraction when, whether or not after

334 Or on the server of his Internet service provider, on which he has been assigned space for storing his web site.

335 Koelman adequately explained that a hyper link – which is here called: surface link, see section 4.4.4 – leads to the home page of a web site, which is comparable to its front door, while a deep link skips the front door and leads directly to a specific page within the web site. See his annotation on President District Court Rotterdam 22 August 2000 (*Dagbladen v. Eureka*), *Informatierecht/AMI* 2000/10, p. 207. Also see Alberdingk Thijm 2005, pp. 184-185. Furthermore, see section 4.4.4.

336 President District Court The Hague 12 September 2000 (*NVM v. De Telegraaf*), *Informatierecht/AMI* 2000/9, p. 191 note T. Overdijk; *Mediaforum* 2000/11-12, p. 395 note M. van Eechoud; *CR* 2000/6, p. 297 note H. Struik.

337 Court of Appeal The Hague 21 December 2000 (*De Telegraaf v. NVM*), *Mediaforum* 2001/2, p. 87 note M. van Eechoud; *CR* 2001/2, p. 89 note H. Struik; *Informatierecht/AMI* 2001/3, p. 70 note H. Cohen Jehoram. Still, the Court denied *sui generis* protection to the plaintiff's (spin-off) database for lack of a substantial investment. It held that the database was instead protected by the Dutch *geschriftenbescherming*. According to the appeal court, the search engine made reproductions, but these did not amount to an infringement.

338 HR 22 March 2002 (*NVM v. De Telegraaf*), *Mediaforum* 2002/5, pp. 174-185 note T. Overdijk; *AMI* 2002/3, p. 88 note D. Visser; *IER* 2002/4, p. 150 note H. Speyart; *JAVI* 2002/1, p. 25 note B. Lenselink; *CR* 2002/3, p. 161 note H. Struik. The Supreme Court's decision did not contain considerations on a *sui generis* right infringement, but it dismissed the appeal court's adoption of the spin-off theory.

339 President District Court Arnhem 16 March 2006 (*Makelaars en NVM v. Zoekalhuizen.nl*), *AMI* 2006/3, p. 93 note Chr. Alberdingk Thijm; *Mediaforum* 2006/4, p. 114 note T. Overdijk, and implicitly confirmed in Court of Appeal Arnhem 4 July 2006 (*Makelaars en NVM v. Zoekalhuizen.nl*), *Mediaforum* 2007/1, p. 21 note B. Beuving.

acts by end-users, the intermediary operates in such a way that substantial reproductions of another party's database are made on its own server.³⁴⁰

The French courts have also produced several decisions on search engines. Most of them concerned search engines for job vacancies on the Internet which made use of surface links,³⁴¹ framing³⁴² or deep links.³⁴³ Regrettably, these judgments do not pay explicit attention to the question whether the intermediary itself commits extraction (or reutilisation). In the two decisions discussed here, the courts merely assumed that this was the case, without providing grounds for this. A case which was contested in several instances concerned the search engine *Keljob.com* which made use of short references with deep links referring to job vacancies in the database which Cadremploi

340 Every new technological application thus needs to be assessed anew. For example, the file-sharing program of Kazaa is comparable to the client program *i-telgids* in that both do not result in the making of reproductions on their servers. Kazaa is called peer to peer (P2P) software, which enables direct downloading from one user's computer to another without a server in between. In contrast, a central server was indeed required for the proceedings of the file-sharing program of Napster and the specialised search engine *El Cheapo*. Also see Advocate General Verkade in his conclusion (para. 5.2) in HR 19 December 2003 (*Buma/Stemra v. Kazaa*); *AMI* 2004/1, p. 15.

341 Tribunal de commerce Nanterre 8 November 2000 (*Sarl Stepstone France v. Sarl Ofir France*), on the Internet: www.legalis.net. The tribunal concluded that the operation of Internet necessarily requires that hyper links can freely be made, especially when they do not – as in this case – immediately refer to individual pages within another party's web site.

342 Tribunal de commerce Paris 26 December 2000 (*Havas et Cadres On Line v. Keljob*), *Propriétés Intellectuelles* 2001/1, p. 92 note J. Passa. The search engine *Keljob.com* was accused of presenting complete job vacancies from Cadres On Line's web site. No source was mentioned and the user was not informed that he was referred to another web site, which amounted to a clear case of framing. According to the tribunal, misappropriating the work and efforts of others is an unfair and parasitic act. Remarkably, the *sui generis* right was not invoked here. This right did come up, but unsuccessfully, in another case on the same search engine: TGI Paris 8 January 2001 (*SA Cadremploi v. SA Keljob*), on the Internet: www.juriscom.net. Here, it was decided that the search engine was merely an instrument enabling queries, which could not be used to supply contents of a database or parts thereof for direct commercial reutilisation. Still, the court held that Keljob competed with Cadremploi in a parasitic manner, and it prohibited Keljob from reproducing elements of Cadremploi's database. This finding of unfair competition was dismissed on appeal (see the following footnote). Also see section 4.6.6 on the cumulative invocation of the *sui generis* right and unfair competition.

343 CA Paris 25 May 2001 (*SA Keljob v. SA Cadremploi*), *Propriétés Intellectuelles* 2001/1, p. 92 note J. Passa. This is the appeal against the decision of the TGI Paris in the preceding footnote. Keljob's search engine had stopped framing Cadremploi's information, but now used deep links. The appeal court decided that it was merely a search engine which did not transmit Cadremploi's database to feed its own system, but only provided references with deep links to this database. It concluded that the data which Keljob extracted to make the references did not represent a substantial part of Cadremploi's database, nor did they manifestly exceed the conditions of normal use of the database. Thus, the *sui generis* right was not infringed, while the claim for unfair competition did not succeed, either.

offered on its web site.³⁴⁴ The court held that Keljob had infringed the *sui generis* right as it had extracted the core data of Cadremploi's database. Although not quantitatively a substantial part, these data were held to form the most important information in the claimant's database, so that they still represented qualitatively a substantial part.³⁴⁵ The court added that the fact that the references direct users to Cadremploi's web site does not make these extractions legal.

A second French judgment concerned a search engine which collected information on properties for sale from several web sites, among others, that of Néressis.³⁴⁶ After a query, the engine presented a list of short descriptions of the properties, with deep links to the detailed information on the web site of Néressis. The defendant argued that he did not himself store the contents of the database of Néressis, but the court did not deliberate upon this defence.³⁴⁷ It found that the defendant had extracted the core information of the claimant's database, and qualified this as qualitatively a substantial part. In both cases, the intermediaries were thus held – without argumentation – to have extracted data themselves and to have infringed the *sui generis* right.

In Germany, the first two cases decided under the regime of the Database Directive also concerned search engines. Both presented whole items, e.g. offers of property for sale from newspaper web sites, which was judged to infringe the *sui generis* right. In the first case, the search engine was found to systematically extract insubstantial parts,³⁴⁸ whereas in the second, it systematically reutilised such parts.³⁴⁹ Commentator Obermüller, on the other hand, argued that the search engines were responsible for both extraction and reutilisation. The German Supreme Court established that a search engine using deep links did not infringe the *sui generis* right.³⁵⁰ It held that although the search engine

344 TGI Paris 5 September 2001 (SA Cadremploi v. SA Keljob et Sté Télécommunications France), on the Internet: www.legalis.net. This is the case on the merits of the Keljob decisions in the two preceding footnotes.

345 See section 4.5.3.2 on this issue.

346 TGI Paris 14 November 2001 (SA Les Editions Néressis v. SA France Télécom Multimédia Services), on the Internet: www.legalis.net.

347 The facts described in these two judgments suggest that the defendants constantly made excerpts of every new entry in the claimants' databases by actively reproducing the core information on their own servers, from which the information was then made available to the users of the search engine. However, it seems uncertain whether this was indeed the technical way in which these search engines operated.

348 Landgericht Berlin 8 October 1998, *CuR* 1999/6, p. 388. This court decided that a specialised search engine made extractions merely because it created the possibility for users to print data or save them in their own computer's memory. The court explicitly stated that it was irrelevant whether reproductions were made on the server of the producer of the engine, which is incorrect in our view.

349 Landgericht Cologne 2 December 1998, *CuR* 1999/9, p. 593 note J. Obermüller.

350 German Supreme Court 17 July 2003 (Paperboy), I ZR 259/00; *JAVI* 2003, p. 222 note R. Chavannes and W. Steenbruggen.

systematically used very small parts, this did not conflict with a normal exploitation of the newspaper web sites at issue.

Often, it is only after a user takes the initiative to make a query that a search engine makes reproductions on its server. One may argue whether this suffices to say that the search engine itself infringes the extraction right. The Dutch courts in the *El Cheapo* case apparently thought this was sufficient on the basis that the engine's producer had deliberately chosen to give his server a vital role in the operation of his search engine. Still, it is only after actions by users that extractions are made on this server, so that the users are arguably the extractors.³⁵¹ Therefore, we support the approach taken in the *i-telgids* case that the intermediary itself does not transfer data, but it is only an instrument for users to do so. Furthermore, the search engine enabled the making of temporary extractions on its server solely for the purpose of transmitting the search results to its users. Under copyright law, temporary and purely technical reproductions for this purpose do not amount to an infringement.³⁵² We argued for introducing a similar provision in the Database Directive as well.³⁵³ Moreover, the functioning of a search engine like *El Cheapo* is thus that its producer cannot influence which material from a database and how large a part of it is reproduced by the users' actions.

For intermediaries, we propose to interpret the extraction right in a more restrictive way than the Dutch and French courts have done. In our view, the producer of an intermediary infringes the extraction right only when he has, on his own initiative and by his own active actions, transferred material from another party's database to his own server.³⁵⁴ In accordance with the Directive, the infringer is the party who performs the act of transfer. Thus, extractions which are made on the server of an intermediary's producer merely as a result of the acts performed by users do not count; in this case the intermediary is merely an instrument. Moreover, where the intermediary's server solely acts as a mere conduit by enabling transmission through temporary reproductions, the intermediary itself does not infringe the *sui generis* right. Still, the producer of an intermediary may, under specific circumstances, be liable for infringing acts performed by its users. This will be discussed in section 4.4.5.

351 The same is suggested by Overdijk in his annotation on President District Court Arnhem 16 March 2006 (Makelaars en NVM v. Zoekallehuizen.nl), *Mediaforum* 2006/4, p. 118.

352 Art. 5(1) of the Copyright Directive.

353 See section 4.4.2.1.

354 This may, for instance, be the case when he has reproduced beforehand a (part of a) database on his server so that results can subsequently be transmitted from it to the users. Under the Copyright Directive, temporary reproduction in the form of caching is permitted when it meets the conditions in art. 5(1), see recital 33. Also see Alberdingk Thijm 2005, pp. 190 and 192 who argues that not all forms of caching are thus permitted.

4.4.3 Reutilisation

4.4.3.1 *Introduction and implementation*

The Directive defines reutilisation as:³⁵⁵

any form of making available to the public all or a substantial part of the contents of a database by the distribution of copies, by renting, by on-line or other forms of transmission.

Reutilisation thus includes distributing or renting physical copies of a database,³⁵⁶ while transmission concerns immaterial forms of making available, covering broadcasting and online making available in open or closed networks.³⁵⁷ Moreover, the European Court of Justice has ruled that both direct and indirect reutilisation is covered.³⁵⁸ However, what is meant by indirect reutilisation is apparently still not entirely clear. It probably includes making available on the Internet a copy which a third party made of another party's database.³⁵⁹ It may perhaps also extend to forms of secondary making available known from copyright law.³⁶⁰

In the Netherlands, the definition has raised the question of whether or not the Directive meant its enumeration of forms of reutilisation to be exhaustive.³⁶¹ Unfortunately, the original French text of art. 7(2)(b) is as ambivalent as the English version.³⁶² The background documents accompanying the different versions of the Directive do not elaborate on the correct interpretation, either. Still, an interpretation which argues for exhaustiveness seems to clash with the Directive's definition. This indeed starts by saying that any form of making available is covered, and thus suggests that the three forms men-

³⁵⁵ Art. 7(2)(b).

³⁵⁶ As in copyright, the distribution of copies is subjected to EU-wide exhaustion in conformity with art. 7(2)(b). This is transposed in art. 2(3) Databases Act, art. L. 342-1 CPI, and reg. 12(3) CRDR.

³⁵⁷ See the Dutch Databases Study Committee Report 1999, p. 15.

³⁵⁸ European Court of Justice 9 November 2004, Case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), considerations 52, 53 and 67.

³⁵⁹ See consideration 61 of the Court's decision. Moreover, the Database Directive states in recital 43 that the right of reutilisation is not exhausted in the case of online transmission.

³⁶⁰ See section 4.4.3.3.

³⁶¹ In the Dutch doctrine, this was answered in the affirmative by the Databases Study Committee of the Dutch Association for Copyright in its 1999 report, p. 15 and also implicitly by Verkade/Visser 1999, p. 12.

³⁶² It reads: «réutilisation»: toute forme de mise à la disposition du public de la totalité ou d'une partie substantielle du contenu de la base par distribution de copies, par location, par transmission en ligne ou sous d'autres formes.

tioned are only examples.³⁶³ Gaster and Bensinger likewise argue that the reutilisation right should be interpreted broadly.³⁶⁴ Not surprisingly, the European Court of Justice confirmed this broad interpretation in 2004.³⁶⁵

‘The use of expressions such as ‘by any means or in any form’ and ‘any form of making available to the public’ indicates that the Community legislature intended to give the concepts of extraction and reutilisation a wide definition. In the light of the objective pursued by the directive, those terms must therefore be interpreted as referring to any act of appropriating and making available to the public, without 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 the investment.’

Interestingly, the WIPO Draft Database Treaty contains a definition comparable to the Directive’s, which explicitly clarifies that the three forms mentioned are but examples.³⁶⁶

Gaster compares the reutilisation right to the new right of communication to the public introduced into copyright law by the WIPO Copyright Treaty of 1996. This right, according to the treaty’s art. 8, includes the making available to the public of a work in such a way that members of the public may access it from a place and at a time individually chosen by them.³⁶⁷ This implies that the actual transmission is not a necessary requirement for making a work available.³⁶⁸ Analogous to this right of communication to the public, Gaster is of the opinion that the reutilisation right covers any form of making available and any form of transmission.³⁶⁹ Accordingly, a database is reutilised when it is uploaded to a computer network, whereby it is not necessary that its content has actually reached users.³⁷⁰

The transpositions of France and the United Kingdom likewise contain a broad definition of the reutilisation right.³⁷¹ They do not even bother to

363 Another indication is the explicit exclusion of public lending in the second sentence of art. 7(2)(b), which would not be necessary if reutilisation could only take the three forms mentioned.

364 Gaster 1999, p. 130 no. 519; Bensinger 1999, p. 192.

365 European Court of Justice 9 November 2004, Case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), consideration 51.

366 Art. 2(vi), see Appendix 2.

367 The same wording is in art. 2(vi) of the WIPO Draft Database Treaty.

368 In the Netherlands, this interpretation of the right of making available has previously been propagated by Hugenholtz 1982, p. 44 and Visser 1997-I, pp. 173-174. Also see Spoor/Verkade/Visser 2005, para. 4.39, p. 208.

369 Gaster 1999, p. 130 nos. 519 and 520.

370 The same view is expressed by Bensinger 1999, p. 194.

371 Art L. 342-1(2) CPI describes reutilisation as making available in any form whatsoever, while reg. 12 CRDR speaks of making available by any means.

mention the examples in the Directive, as opposed to the definitions of reutilisation in the Dutch and Italian transpositions.³⁷²

4.4.3.2 Reutilisation by Internet intermediaries: a functional approach

The Dutch courts have struggled with the question whether intermediaries such as *i-telgids* and *El Cheapo* commit acts of reutilisation. As for the case on the *i-telgids* client program, the judge in the interim proceedings referred to the analogy mentioned by Gaster between the right of making available and the reutilisation right.³⁷³ The judge thus considered that an infringement of the reutilisation right does not require that the person who makes the database available to the public also brings about the transmission. In this case, the database producer KPN had put on its server a telephone directory which it made available to the public via a web site. *I-telgids* was a computer program which offered an alternative access to KPN's database. Interestingly, the judge expressed the opinion that the producer of *i-telgids* had reutilised KPN's (whole) database. For this, he drew a comparison with a cable broadcaster who separately performs an act of making available under copyright law. In this decision, the judge thus acknowledged a form of indirect or secondary reutilisation.³⁷⁴ For this, he did not require that the producer of *i-telgids* had (a reproduction of) the database on its own server from which the data were made available. Rebroadcasting in copyright does not require such a reproduction, either. The judge thus favoured a *functional* approach to the reutilisation right,³⁷⁵ not the technical approach which he followed for the extraction right, where the role played by the server is indeed relevant.

However, we do not support this judge's functional interpretation of the reutilisation right. In our view, it is going too far to conclude that merely providing an alternative access to a database also implies making available/reutilising its whole contents. Instead, the one and only party making the database available was KPN, which actively and on its own initiative performed acts to enable making the information available. Indeed, if the *i-telgids* computer program would no longer be offered, the database would still remain available on KPN's web site. Thus, *i-telgids* cannot influence the availability of the database's contents.³⁷⁶

372 Art. 1(1)(d) Databases Act and art. 102-bis(c) of the Italian Copyright Act.

373 President District Court The Hague 29 June 1999 (KPN v. XSO), *Mediaforum* 2000/2, p. 64 note P.B. Hugenholtz; *IER* 2000/2, p. 72 note F. Grosheide; *Informatierecht/AMI* 2000/4, p. 71, note A. Beunen p. 58; *CR* 2000/3, p. 154 note B. Aalberts and M. Schellekens.

374 Moreover, the Database Directive states in recital 43 that the right of reutilisation is not exhausted in the case of online transmission.

375 In the same sense Seignette 2001, p. 33 for the right of making available in copyright law concerning the computer program Napster used for file sharing. See the next subsection.

376 This is different with a cable broadcaster; when it shuts down its system, emissions will no longer reach the owners of the connected receivers.

Although we do not agree with the judge's conclusion, the copyright analogy which he made concerning acts of secondary making available is nevertheless interesting to discuss below, because some authors have supported it for intermediaries on the Internet.

4.4.3.3 *Secondary making available in a copyright context*

In the Netherlands, the independent significance of indirect forms of making available, and the fact that these require separate permission from the author was acknowledged by the Dutch Supreme Court in 1938.³⁷⁷ At the beginning of the 1980s, the Supreme Court continued this approach in case law on cable broadcasters providing transmission of television programs emitted by broadcasting organisations.³⁷⁸ This was considered an act of rebroadcasting for the purpose of art. 11bis(1)(2) of the Berne Convention. Rebroadcasting is to be understood as broadcasting performed by another organisation than the one originally performing the emission.³⁷⁹ A cable broadcaster which was transmitting copyrighted films illegally emitted by pirates was found by the Supreme Court to perform an act of secondary making available, instead of merely providing technical means for the transmission.³⁸⁰

Van Nieuwenhoven Helbach stressed that the cable broadcaster only fulfilled a passive role, while the pirates took the initiative to make the films available.³⁸¹ He nevertheless agreed with the Supreme Court that the cable broadcaster had made the films available, as well. According to him, the fact that the cable broadcaster did not take measures to hinder the use of its equipment by third parties, caused him to make the films available in the same way as he would have done if he had broadcast the films on his own initiative. The validity of the Supreme Court's judgment has been challenged by Dommering³⁸² and Visser.³⁸³ Dommering argues that the cable broadcaster at issue is comparable to the owner of a cafe who gives others the opportunity of making music available on his premises, and who has been found in Dutch

377 HR 6 May 1938 (Caf radio), NJ 1938, no. 635 note E. Meijers. Also see Spoor/Verkade/Visser 2005, para. 4.29, pp. 197-198.

378 HR 30 October 1981 (Columbia Pictures v. CAI; Kabel-TV I), RvdW 1981, no. 141; NJ 1982, no. 435 note E. van Nieuwenhoven Helbach; AMR 1981/5, p. 111; *Ars Aequi* 1982, p. 79 note H. Cohen Jehoram. HR 25 May 1984 (CAI v. Columbia Pictures; Kabel-TV II), NJ 1984, no. 697 note E. van Nieuwenhoven Helbach.

379 Ricketson 1987, pp. 447-451, nos. 8.84-8.86.

380 HR 14 January 1983 (KTA v. Columbia Pictures; Kabelpiraten), NJ 1984, no. 696 note E. van Nieuwenhoven Helbach; AMR 1983, p. 59; *Ars Aequi* 1983, p. 604 note H. Cohen Jehoram.

381 In his annotation on HR 14 January 1983 (KTA v. Columbia Pictures; Kabelpiraten), NJ 1984, no. 696.

382 Dommering 1998, p. 78.

383 Visser 2001, p. 132.

case law not to make available himself.³⁸⁴ Analogously, it is the pirates who make the films available, not the cable broadcaster. Dommering and Visser thus argue that the passive role performed by this cable broadcaster³⁸⁵ disqualifies it as a person making works available itself.³⁸⁶

Referring to the same Supreme Court case, Seignette has suggested that the file-sharing program Napster may also perform acts of secondary making available.³⁸⁷ She draws a comparison between Napster and a cable broadcaster which makes programs available by transmitting them as its own service. Napster offered software for downloading on its web site by which music files could be shared among users. They could make queries for a specific file, and Napster's server subsequently presented a list of all the files on other users' computers which matched the query. By clicking onto items in this list, downloading began directly from another user's computer. Seignette argues that Napster thus makes specific information available to its users.³⁸⁸ In France, Lucas/Lucas support the same view.³⁸⁹ However, this view is rejected by several Dutch authors, who argue that intermediaries on the Internet do not infringe copyright themselves, but may well be liable on the basis of an unlawful act in accordance with the approach followed for Internet service providers.³⁹⁰

Questioning the validity of the Supreme Court's decision on cable broadcasters, Dommering observed that the term 'making available' and the question of who performs such acts asks for a new interpretation where Internet is concerned.³⁹¹ In a *sui generis* right context, we believe that the meaning of the reutilisation right is still equally uncertain. The preceding subsection ended with our rejection of the broad interpretation put forward in the *i-telgids* case.³⁹² Therefore, we continue our search for alternatives.

384 HR 8 March 1957 (*Buma v. De Vries*), *NJ* 1957, no. 271.

385 Dommering 1998, p. 78 observes, however, that cable broadcasters nowadays play an active role in that they select the package of programs they offer to their subscribers.

386 Schellekens 2001, p. 187 observes that the cable broadcaster was merely providing facilities to enable a communication.

387 Seignette 2001, p. 33.

388 A similar opinion was put forward for the reutilisation right in the *i-telgids* judgment, see the preceding subsection.

389 Lucas/Lucas 2001, p. 230 footnote 215. They state that providers of services who, like Napster, enable users to exchange music files, should be considered to perform acts of making available.

390 This approach will be discussed in section 4.4.5. Also see Visser 1997-I, pp. 177-178 arguing that secondary making available does not occur where making available on the Internet is concerned.

391 Dommering 1998, pp. 78-79.

392 Interestingly, the judge in the *i-telgids* case was not entirely sure of his broad interpretation, either, so he also gave an alternative solution. If it should nevertheless be determined that *i-telgids* did not make available the whole database, he decided that it made available those parts which it actually transmitted to the users following their queries. Thus, he argued that *i-telgids* systematically made insubstantial parts available. Strowel/Derclaye 2001, p. 329

4.4.3.4 Reutilisation by Internet intermediaries: a technical approach

The approach chosen by the judge in the interim proceedings on the search engine *El Cheapo* is analogous to the technical approach of the extraction right discussed in section 4.4.2.3.³⁹³ The judge found that the data which *El Cheapo* had copied on its server after a query, were subsequently made available to the user. Thus, he implicitly seemed to consider the role of the server relevant for the reutilisation right, following a technical approach.

The role of the server was also assessed to be crucial in several Dutch cases on copyright. It was judged to be an act of making available when a moderator of a bulletin board on the Internet offered software for downloading, which was sent to him by a user of the bulletin board.³⁹⁴ By placing the software on the bulletin board's server, the moderator was directly involved in offering a reproduction of the protected material to the users. Here, as opposed to *El Cheapo*, the moderator exercised influence on the contents presented on the bulletin board, as he actively performed acts to make information available in the form of a reproduction on its server.

Another copyright case concerned the search engine *zoekmp3.nl* with which allegedly infringing music files could be found. After a query, the engine presented the user with a list of surface links and deep links to web locations where the music was stored. Clicking onto them enabled direct downloading from these locations to the user's computer. The search engine's server was not placed in between. The court decided that there was no primary or secondary making available at issue, because there was no infringing material on the engine's server, while such material was not transmitted via its server, either.³⁹⁵

Thus, it was judged decisive in these cases whether the intermediary's producer disposed of a (temporary or permanent) reproduction of (a part of) another's database on his own server, from which the information is made available to the users of the intermediary. This *technical* approach requiring

agree with this approach. However, we do not support it, since actual transmission is not necessary for the act of making available/reutilising information, as was argued in section 4.4.3.1.

393 President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *Informatierecht/AMI* 2000/9, p. 191 note T. Overdijk; *Mediaforum* 2000/11-12, p. 395 note M. van Eechoud; *CR* 2000/6, p. 297 note H. Struik.

394 District Court Rotterdam 24 August 1995 (Bridgesoft v. Lenior), *Informatierecht/AMI* 1996/5, p. 101; *CR* 1996/5, p. 194 note R. de Mulder. District Court Rotterdam 14 November 1996 (Bridgesoft v. Lenior), *CR* 1997/2, p. 74.

395 District Court Haarlem 12 May 2004 (Techno Design v. Stichting Brein), *AMI* 2004/5, p. 185 note K. Koelman; *CR* 2004/6, p. 294 note O. Volgenant, see considerations 6.10 and 6.11 of the judgment. This stand was implicitly confirmed by the appeal court, which focused on the liability of the search engine's producer for an unlawful act. Court of Appeal Amsterdam 15 June 2006 (Stichting Brein v. Techno Design), *AMI* 2006/5, p. 173 note K. Koelman.

(copies on) a server, however, seems to contradict the 'technology-independent'³⁹⁶ formulation of the making available right in copyright law. It has indeed been argued that it is irrelevant for this right what technology is used to make a work available.³⁹⁷ The Database Directive and the WIPO Copyright Treaty do not make any demands as to the technical process that should be chosen where reutilisation or communication to the public is concerned, either.³⁹⁸ Consequently, it may be upheld that it is not relevant for an act of making available whether one disposes of a copy of the information itself, for example on one's server or on a physical medium. Rebroadcasting, for example, does not require a copy.³⁹⁹ Although disposing of a copy may have been technically indispensable in the past, neither the definition of reutilisation in the Database Directive, nor of communication to the public in the WIPO Copyright Treaty explicitly demands this. Their technology independent approach is to be approved of, because the legislation can thus keep pace with unforeseeable technological developments still to come. Therefore, we believe that the technical approach taken in the above case law is questionable in the context of the reutilisation right.

Moreover, in our view, Internet intermediaries such as *i-telgids* and *El Cheapo* do not infringe the reutilisation right themselves as they neither actively, nor on their own initiative perform acts to make information available;⁴⁰⁰ this is done by the database producer. The intermediaries merely provide an alternative access to another's database while it is the users' doings which effectuate that data from it are presented to them within the search engine environment. Thus, in our view, (producers of) Internet intermediaries like *i-telgids* or *El Cheapo* do not themselves extract and/or reutilise information from other parties' databases, but their users may potentially do so. Therefore, we prefer to assess the liability of such intermediaries on the basis of an unlawful act approach. This approach, which has also been propagated by other authors, will be discussed in section 4.4.5. But first, we will deal with the legal position of hyper links, because these are often used by intermediaries.

396 Adjective adopted from De Cock Buning 1998, pp. 245-247.

397 Spoor/Verkade/Visser 2005, para. 4.39, p. 208.

398 Reinbothe/Von Lewinski 2002, pp. 105 and 109 state that the WIPO Copyright Treaty reflects the intention to provide for a 'technology-neutral' right.

399 Similarly, Alberdingk Thijm 2005, p. 186 argues that framing infringes copyright. Framing is a form of presenting another party's information within one's own web site without mentioning the source. It does not require making a reproduction on one's server; the information is presented directly from the other party's server.

400 This was, however, different for the moderator of the Internet bulletin board in the above-mentioned case.

4.4.4 Hyper links

On the Internet, abundant use is made of hyper links. Referring within one's own information to information located elsewhere on the web is indeed the core of the Internet. Intermediaries such as search engines, e.g. *El Cheapo* or *Keljob.com*, also make use of hyper links. Hyper links may be subdivided into surface links and deep links. A surface link leads to the home page of a web site, while a deep link leads directly to a specific page within the web site.⁴⁰¹ Instead of directly presenting the desired information itself, search engines offer links to it which need clicking before it is shown. In Dutch literature, such links have been compared to footnotes.⁴⁰²

Offering the possibility to access another party's information by a surface link or a deep link arguably is neither an act of reproduction/extraction, nor of reutilisation/making available. Firstly, there is no reproduction or extraction as the person who puts the link on his web site does not copy the information he links to, so that there is no reproduction of this information on his server. Secondly, he does not make this information available himself, but this is done by the person who has uploaded the information linked to. This approach has been taken by several Dutch authors⁴⁰³ and in Dutch case law.⁴⁰⁴ A pragmatic view is implicit in this case law, according to which hyper linking

401 Also see Koelman as mentioned in footnote 335; Debusseré 2006, p. 14.

402 Visser 1997-II, p. 127; Hugenholtz 1998-I, pp. 212-213.

403 Visser 1997-I, p. 178; Visser 1997-II, p. 127; Hugenholtz 1998-I, pp. 212-213; De Cock Buning/Vermeer 1999, p. 166; Schellekens 2001, pp. 164-165; Chavannes 2003, pp. 5, 7 and 8. Also compare Chavannes and Steenbruggen in their comments on German Supreme Court 17 July 2003 (Paperboy), *JAVI* 2003, pp. 222-225. On the other hand, Struik suggested in his annotation on HR 22 March 2002 (NVM v. De Telegraaf), *CR* 2002/3, p. 181 that hyper linking could well infringe the extraction and reutilisation right. Overdijk in his annotation on the same case, *Mediaforum* 2002/5, p. 185, did not exclude that deep linking may infringe the *sui generis* right.

404 On both surface links and deep links: President District Court Rotterdam 22 August 2000 (Dagbladen v. Eureka), *IER* 2000/5, p. 268 note E. Arkenbout; *CR* 2000/5, p. 259 note H. Struik; *Mediaforum* 2000/10, p. 344 note T. Overdijk; *Informatierecht/AMI* 2000/10, p. 57 note K. Koelman (stating that making information available on the Internet implies giving permission to link to it). District Court Haarlem 12 May 2004 (Techno Design v. Stichting Brein), *AMI* 2004/5, p. 185 note K. Koelman; *CR* 2004/6, p. 294 note O. Volgenant. President District Court Arnhem 16 March 2006 (Makelaars en NVM v. Zoekalhuizen.nl), *AMI* 2006/3, p. 93 note Chr. Alberdingk Thijm; *Mediaforum* 2006/4, p. 114 note T. Overdijk, and implicitly confirmed in Court of Appeal Arnhem 4 July 2006 (Makelaars en NVM v. Zoekalhuizen.nl), *Mediaforum* 2007/1, p. 21 note B. Beuving. On surface links: President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *Informatierecht/AMI* 2000/9, p. 191 note T. Overdijk; *Mediaforum* 2000/11-12, p. 395 note M. van Eechoud; *CR* 2000/6, p. 297 note H. Struik. Court of Appeal The Hague 21 December 2000 (De Telegraaf v. NVM), *Mediaforum* 2000/2, p. 87 note M. van Eechoud; *CR* 2001/2, p. 89 note H. Struik; *Informatierecht/AMI* 2001/3, p. 70 note H. Cohen Jehoram. President District Court Leeuwarden 30 October 2003 (Vriend v. Batavus), *AMI* 2004/1, p. 32 note K. Koelman; *JAVI* 2003/6, p. 215 note Chr. Alberdingk Thijm.

is not only in common use but essential on the Internet and people who put information on it should therefore consider the possibility that links will be made to their information. If they want to protect themselves against this, they should take technological measures which block the possibility of linking. The same reasoning was followed by the German Supreme Court in a case on a search engine using deep links, in which it established that such links did not infringe copyright or the *sui generis* right.⁴⁰⁵ Interestingly, the Supreme Court underlined this by considering that without search engines using surface links or deep links, finding one's way in the information overflow on the Internet is nearly impossible.

However, where a surface link or deep link *itself* consists of information reproduced from another's database, extraction and reutilisation can potentially be at issue. For example, a Dutch web site called *Kranten.com* presented a list of deep links to articles available on the web sites of several Dutch newspapers.⁴⁰⁶ For this, the headlines of these articles were copied and turned into deep links. Yet, the judge held in summary proceedings that, in case the newspaper web sites were to be considered protected databases,⁴⁰⁷ the deep links were not infringing because the headlines could not be considered a substantial part of the newspaper web sites. Although the deep linking would constitute repeated and systematic reutilisation of insubstantial parts, this would also not be infringing according to the judge, as it did not conflict with a normal exploitation of the web sites, or prejudice their producers' interests. The same was decided in a German case.⁴⁰⁸ Here, the defendant daily sent his (paying) subscribers an e-mail containing a list of deep links to newspaper articles of their interest. Although he thus himself extracted and reutilised parts of newspaper web sites, these acts were not assessed as being infringing on the same grounds as in the aforementioned case. The opposite was however found in a Dutch judgment on a database which merely consisted of surface links or deep links to pornographic sites.⁴⁰⁹ The judge upheld that another party's list of links infringed the *sui generis* right in this database of pornographic links, because a substantial part of it was copied.

405 German Supreme Court 17 July 2003 (Paperboy), I ZR 259/00; JAVI 2003, p. 222 note R. Chavannes and W. Steenbruggen. In the same sense Landgericht Munich 1 March 2002, CuR 2002/6, p. 452. The German Supreme Court left open the possibility that there could be infringement in case the database had technological protection against linking.

406 President District Court Rotterdam 22 August 2000 (Dagbladen v. Eureka), IER 2000/5, p. 268 note E. Arkenbout; CR 2000/5, p. 259 note H. Struik; Informatierecht/AMI 2000/10, p. 57 note K. Koelman; Mediaforum 2000/10, p. 344 note T. Overdijk.

407 In these summary proceedings, he himself held that these web sites were not protected by the *sui generis* right.

408 Landgericht Munich 1 March 2002, CuR 2002/6, p. 452.

409 President District Court Amsterdam 16 December 1999 (Ter Wee v. Van den Haak), Mediaforum 2000/2, p. 62 note D. Visser. Also see De Cock Buning/Vermeer 1999, p. 169.

One link itself will in most cases not infringe the *sui generis* right in a database.⁴¹⁰ However, putting together a combination of several links which themselves copy a substantial part of another party's database may result in an infringement, as might the systematic use of insubstantial parts through such links. For example, producers of web sites like *Kranten.com* who on their own initiative and by their own active actions daily reproduce and make available titles of newspaper articles in the form of deep links, may potentially infringe the *sui generis* right in the newspaper web sites which they copy from.

Internet intermediaries such as search engines often make use of surface or deep links, as well. After a user submits a query he is presented with a list of links. However, as we argued above,⁴¹¹ it is the user who thus extracts and/or reutilises information and thus potentially infringes the *sui generis* right in a database, not the intermediary itself. Still, an unlawful act may be at issue when the activities of Internet service providers, as well as other intermediaries are concerned. Under specific circumstances, these parties may be liable for an unlawful act as a result of infringing acts performed by their users, as will be shown in the next section.

4.4.5 Liability of Internet service providers and intermediaries for an unlawful act

4.4.5.1 The WIPO Copyright Treaty

It has internationally been agreed in a copyright context that Internet service providers do not perform acts which infringe the right of communication to the public. This is specified in the Agreed Statement which accompanies art. 8 of the WIPO Copyright Treaty. It reads:

It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention.

⁴¹⁰ This is apart from very exceptional cases in which one link itself reproduces a substantial part of a database. However, putting a link to infringing material may under specific circumstances amount to an unlawful act. See the Dutch judgment District Court The Hague 9 June 1999 (*Scientology Church v. XS4ALL*), CR 1999/4, p. 200 note P.B. Hugenholtz; *Mediaforum* 1999/7-8, p. 205 note D. Visser. Comparably, it was decided in a French judgment that the defendant who maintained several web sites, one of which contained material which infringed the claimant's *sui generis* right, committed an unlawful act by putting hyperlinks to this infringing web site on his other web sites. See TGI Strasbourg 22 July 2003 (*Jataka, Pierre M. v. EIP, Patrick G.*), on the Internet: www.legalis.net. See more extensively section 4.4.5.2.

⁴¹¹ Sections 4.4.2.3 and 4.4.3.4.

Its purpose is to exempt parties who merely provide the physical means with which information can be transmitted without exercising influence as to the contents of this information.⁴¹²

Analogous to the copyright approach in the WIPO Copyright Treaty, it was held in a French judgment that an Internet service provider who merely hosted infringing information published by one of his subscribers did not himself infringe the *sui generis* right. The Paris tribunal found that no regulation obliges a provider to verify the contents of the information which he enables to be transmitted.⁴¹³ Furthermore, the tribunal took into account that after being informed of the forthcoming lawsuit, the provider Maxotex had acted promptly by closing down the web site on which the defendant had published a reproduction of the claimant's database.

Reinbothe and Von Lewinski explain that by 'physical facilities' in the WIPO Copyright Treaty is meant the mere provision of server space, communications connections, or facilities for the carriage or routing of signals.⁴¹⁴ In the Netherlands, however, many authors argue in favour of applying the Agreed Statement not only to Internet service providers, but analogously to other intermediaries, as well. Hugenholtz advocated its application for intermediaries such as *i-telgids*,⁴¹⁵ and Visser for file-sharing programs like Napster.⁴¹⁶ Advocate General Verkade suggested the same for Kazaa's peer to peer software,⁴¹⁷ and Koelman did so for hyper links.⁴¹⁸ Moreover, a Dutch court

412 For example, an Internet service provider maintains the technical infrastructure which enables its clients/subscribers to make information available on the Internet. They rent storage space on the provider's server for their web sites, while the service provider does not interfere with the sites' contents. Moreover, the provider via its infrastructure enables the (temporary) transmission of the contents to Internet users visiting the web site. Thus, Internet service providers do not themselves make information available, but their clients do. Service providers also do not infringe the reproduction right as it is the user who, by making a web site, stores material on the provider's server. Compare the annotation of Hugenholtz and Visser on District Court The Hague 9 June 1999 (Scientology Church v. XS4ALL), respectively in CR 1999/4, p. 205 and *Mediaforum* 1999/7-8, p. 208.

413 Tribunal de commerce Paris 7 May 1999 (SA Electre v. Sarl T.I. Communication, Sarl Maxotex et Monsieur M.D.), on the Internet: www.legalis.net.

414 Reinbothe/Von Lewinski 2002, p. 112. They stress that this Agreed Statement should be interpreted restrictively.

415 Hugenholtz in his annotation on President District Court The Hague 29 June 1999 (KPN v. XSO), *Mediaforum* 2000/2, p. 66.

416 Visser 1997-I, pp. 177-178; Visser 2001, pp. 132-133.

417 In his conclusion (para. 5.11) in HR 19 December 2003 (Buma/Stemra v. Kazaa), AMI 2004/1, p. 9 note P.B. Hugenholtz. The same approach is implicit in Court of Appeal Amsterdam 28 March 2002 (Kazaa v. Buma/Stemra), AMI 2002/4, p. 134 note J. Seignette.

418 In his annotation on District Court Haarlem 12 May 2004 (Techno Design v. Stichting Brein), AMI 2004/5, p. 185. He also seems to cautiously advocate an analogous application for search engines.

applied it to a search engine presenting both surface links and deep links.⁴¹⁹

Seignette observed that a great range of activities lie between providing mere conduit on the one side and making available information on the other side.⁴²⁰ Thus, it is not easy to say for many products and services whether they make contents available themselves, act unlawfully by deliberately hosting infringing contents, or are not liable at all.⁴²¹ The preceding subsections have indeed showed that courts struggle with this where different sorts of intermediaries are concerned. Therefore, we believe that legal certainty would be served by treating all sorts of intermediaries alike, in conformity with the approach given to Internet service providers.⁴²² Furthermore, this solution leaves room for the necessary development of useful new products and services; for example, intermediaries such as specialised search engines are by now almost indispensable for finding one's way in the overwhelming deluge of information available on the Internet. Another advantage of treating Internet service providers and other intermediaries alike is that clear rules have been developed for the liability of service providers. In fine, offering an intermediary would thus not in itself infringe copyright or the *sui generis* right, but its producer may under specific circumstances be liable for such infringements committed by users of the intermediary.

4.4.5.2 *Liability rules for Internet intermediaries in the European E-Commerce Directive*

According to the European Directive on Electronic Commerce,⁴²³ a service provider⁴²⁴ may be liable for storing or hosting infringing material provided by a user of his service. He escapes liability only if he:⁴²⁵

- a. does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

419 District Court Haarlem 12 May 2004 (Techno Design v. Stichting Brein), *AMI* 2004/5, p. 185 note K. Koelman; *CR* 2004/6, p. 294 note O. Volgenant. On appeal, this application was rejected. See Court of Appeal Amsterdam 15 June 2006 (Stichting Brein v. Techno Design), *AMI* 2006/5, p. 173 note K. Koelman.

420 Seignette 2001, p. 32.

421 In the same sense Hugenholtz 1998-I, p. 226.

422 Also see Visser 1997-I, p. 178.

423 Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of the information society services, in particular electronic commerce, in the Internal Market (Directive on Electronic Commerce), *OJEC* 2000 L 178/1.

424 The directive more generally speaks of a party providing an information society service. This service is defined in art. 1(2) of Directive 98/34/EC, as amended by Directive 98/48/EC, as any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services.

425 Art. 14(1) of this directive.

- b. does not, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

In the Netherlands, similar rules for Internet service providers were developed in a 1999 judgment.⁴²⁶ In this case, which was brought by the Scientology Church, the court found that a service provider is liable if he does not take measures when he is informed that a user of his computer system commits copyright infringement on his (the user's) web site or otherwise acts unlawfully, while there is no reason to doubt the correctness of this notification.⁴²⁷ The court also held that it is irrelevant whether the infringing material is accessible on a web site or via a hyper link. Thus, a service provider may in the Netherlands also be held liable for a hyper link which a user puts on his homepage and which refers to infringing material made available on another web location by another person. In another Dutch decision, it has been found in a copyright context that a search engine may indeed be liable if its producer knows that there are surface links or deep links to infringing material among the results which the engine presents after a user query.⁴²⁸ Yet, the appeal court found that the rules for Internet service providers did not apply in this case because the search engine (*zoekmp3.com*) specialised in finding music files and its producer knew beforehand that his search engine would systematically present links to infringing material.⁴²⁹

Interestingly, Möglich points out that in Austria hyper links and search engines have been given a special regulation.⁴³⁰ Although the Directive on Electronic Commerce is silent on this issue,⁴³¹ the Austrian transposition of

426 District Court The Hague 9 June 1999 (*Scientology Church v. XS4ALL*), *CR* 1999/4, p. 200 note P.B. Hugenholtz; *Mediaforum* 1999/7-8, p. 205 note D. Visser. This judgment was endorsed by the Court of Appeal The Hague 4 September 2003 (*Scientology Church v. Spaink e.a.*), *AMI* 2003/6, p. 217 note P.B. Hugenholtz; *JAVI* 2003/5, p. 183 note W. Pors.

427 A service provider may also be criminally liable for complicity in infringement where he deliberately facilitated the infringing act.

428 District Court Haarlem 12 May 2004 (*Techno Design v. Stichting Brein*), *AMI* 2004/5, p. 185 note K. Koelman; *CR* 2004/6, p. 294 note O. Volgenant.

429 Court of Appeal Amsterdam 15 June 2006 (*Stichting Brein v. Techno Design*), *AMI* 2006/5, p. 173 note K. Koelman.

430 Möglich 2002, pp. 591-592. Other countries with special liability legislation for hyper links and search engines are Spain, Portugal and Liechtenstein, see Debusseré 2006, pp. 16-17 and the first Evaluation report of the Directive on Electronic Commerce, Brussels, 21 November 2003, COM(2003) 702 final, p. 13.

431 This has not changed after the directive's first evaluation. The 2003 Evaluation report observed: 'Whilst it was not considered necessary to cover hyperlinks and search engines in the Directive, the Commission has encouraged Member States to further develop legal security for internet intermediaries. It is encouraging that recent case-law in the Member States recognizes the importance of linking and search engines to the functioning of the internet. In general, this case-law appears to be in line with the Internal Market objective to ensure the provision of basic intermediary services, which promotes the development of the internet and e-commerce. Consequently, this case-law does not appear to give rise to any Internal Market concerns.' In this context, it refers to the Paperboy judgment of the

this directive introduced new provisions containing the conditions under which offering search engines and hyper linking escape liability.⁴³² These are comparable to the above-mentioned conditions for Internet service providers. A producer of an online search engine is not liable for the illegal information which the engine finds if he has no actual knowledge of the illegal activity or illegal information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or illegal information is apparent. As soon as this comes to his knowledge, he is not liable if he takes immediate action to block access to the information.⁴³³ Very similar conditions apply for hyper linking.

4.4.5.3 Liability of Internet intermediaries in a *sui generis* right context

With regard to the *sui generis* right, the material to which an intermediary links or enables access may potentially be infringing.⁴³⁴ Another situation where a search engine may perhaps be liable is when its users make infringing extractions from a database to which the search engine provides access.

In the first situation, the producer of an intermediary is acting unlawfully if he knows that his intermediary enables access to or presents a link to an infringing database (or material infringing another party's database), and he does not act to disable access to this material. However, it may well be argued that applying the liability rules for service providers is more justified for general search engines such as Google than for specialised intermediaries which are only geared towards a selected group of databases.⁴³⁵ Producers of the latter category, as opposed to Internet service providers, in our view have a responsibility to check the lawfulness of the selected databases beforehand.⁴³⁶ This duty arguably does not apply to general search engines like

German Supreme Court (see footnote 405). Yet, the report remarked that the European Commission will keep examining any future need for liability limitations for hyper links and search engines.

432 BGBl I 152/2001 of 21 December 2001, on the Internet at <<http://www.ris.bka.gv.at>>, § 14 (search engines) and § 17 (links). Also see the explanation of the first proposal at <<http://www.justiz.gv.at/gesetzes/download/ecommerce.pdf>>, pp. 73-76 on § 17 (search engines) and § 18 (links).

433 The explanation accompanying the transposition's proposal (p. 74, footnote 93) speaks of general search engines like Google where it states that the parties who offer such search engines do not beforehand exercise influence over the information they present, and that this information is to a large extent automatically entered. Furthermore, it argues that parties which offer search engines in general do not check the legality of the information.

434 This could, for example, be an online database which turns out to be an infringing copy of another database.

435 Also see Chavannes 2003, pp. 7 and 8.

436 Compare the judgment of the appeal court in the case of the search engine *zoekmp3.com* (see footnote 429) which was discussed in the preceding subsection. At first instance, on the other hand, the district court found that the engine's producer did not himself have to ascertain the legality of the material to which the links referred.

Google which may thus indeed escape liability on the grounds of the above-mentioned liability rules.⁴³⁷ Admittedly, however, it may be difficult to draw a distinct line between the categories of general intermediaries and specialised ones. How large/small must the group of selected databases be for a search engine to be 'specialised'? Perhaps, the question whether such an intermediary selects its databases automatically via web spiders or whether this is done by human selection might also be relevant.

Secondly, there is the – potentially infringing – use that may be made of intermediaries. Arguably, it is in most cases the users and not the intermediaries themselves who after a query extract data from another party's database.⁴³⁸ An intermediary is merely an instrument with which users can make extractions. The intermediary often solely enables the transmission of data by temporary reproductions/extractions on its server induced by the users' queries, which does not amount to an infringement under copyright law, and should not either under database law. However, the producer of an intermediary may still be held liable for an unlawful act, provided that the acts of its users are indeed infringing the *sui generis* right. For this, users need to extract a whole database or a substantial part thereof, or repeatedly and systematically to extract insubstantial parts causing harm to the database producer.

The question is whether this indeed occurs with intermediaries such as search engines which provide access to databases of other parties. The majority of the users, we believe, will merely make incidental use of a search engine to find insubstantial parts within each of the databases, in the same way as they would have searched each source database separately, had the search engine not existed. In fact, a search engine often uses deep links so that using the engine eventually leads to consulting the source database itself. The incidental extraction of insubstantial parts is the use normally made of a database and does not infringe the *sui generis* right of the database producer. Moreover, art. 8(1) of the Database Directive forbids, on a compulsory basis, the prohibition of this kind of use. The search engine merely serves as an alternative doorway to this database, and does not provide more facilities to infringe than the source database.⁴³⁹ Thus, only in exceptional cases will a user by means of an intermediary extract a substantial part or the whole database, or repeatedly extract insubstantial parts.

As we argued that it is often not the intermediary itself which commits an infringement, it is in our view not a right approach to add up the insub-

437 Compare the explanation which accompanied the Austrian regulation mentioned in footnote 432. Also compare Koelman in his annotation on District Court Haarlem 12 May 2004 (Techno Design v. Stichting Brein), *AMI* 2004/5, p. 192, and Chavannes 2003, pp. 7 and 8.

438 See section 4.4.2.3.

439 However, exceptions to this rule may occur; such adaptations could in themselves perhaps amount to an unlawful act.

stantial extractions made by its users until these amount to a substantial part, and consider this the actions of the intermediary. For the same reason, we do not support the position that the intermediary, through its users' acts, systematically uses insubstantial parts itself.⁴⁴⁰ As for the liability of the users themselves, their insubstantial extractions may perhaps be added up to result in infringing systematic use, but only if they have deliberately and as a group extracted insubstantial parts with the purpose of ultimately disposing of the whole database or a substantial part.⁴⁴¹ Indeed, the European Court of Justice has interpreted infringing systematic use in a rather strict sense, requiring that the cumulative effect of the use of insubstantial parts is to reconstitute and/or make available to the public the whole or a substantial part of the database and thereby seriously prejudice the investment of the database producer.⁴⁴² Thus, acting with intent is needed, perhaps even with malicious intent.

Still, infringement by one or more of the intermediary's users of the *sui generis* right in a database accessible via this intermediary remains a possibility. Analogously applying the set of rules for Internet service providers, the producer of the intermediary may then be liable if he had knowledge of this but did not take measures against it.⁴⁴³ Yet, the question remains what measures he can take; blocking all access to the database seems a very severe solution,⁴⁴⁴ but blocking the search engine for this specific user might not be technically possible.⁴⁴⁵ Although an IP address can be blocked, a user may use several such addresses, and it will not always be easy to trace the user's identity. As for Kazaa's peer to peer software, Hugenholtz argued that if its producer does not have the technical means to block the infringing activities of its users,⁴⁴⁶ offering this software may still be unlawful on the basis of the (originally American) criterion of 'substantial non-infringing uses'.⁴⁴⁷ This criterion implies that offering such software is not unlawful if it is used not merely for infringing uses but also for substantial non-infringing uses.⁴⁴⁸ Seignette argues that offering a service or software which facilitates copyright infringements is unlawful, unless it is not primarily meant for infringing use

440 See sections 4.4.2.3 and 4.6.5 for case law following this approach.

441 See section 4.5.4.1.

442 See section 4.6.3.

443 He is arguably not obliged to proactively take technical measures to check the activities of his users. Compare analogously art. 15(1) of the Directive on Electronic Commerce.

444 This would, however, be suitable when an intermediary provides access to an online database which is an infringing reproduction of another party's database.

445 Withdrawing the intermediary altogether would perhaps be too drastic a measure.

446 See his annotation on HR 19 December 2003 (*Buma/Stemra v. Kazaa*); *AMI* 2004/1, p. 25 and on President District Court Amsterdam 29 November 2001 (*Kazaa v. Buma/Stemra*), *AMI* 2002/1, p. 25.

447 See the decision of the U.S. Supreme Court 17 January 1984 (*Sony Corp. of America v. Universal City Studios, Inc.*), 464 *U.S.* 417 (1984).

448 *Kazaa* escaped liability on this basis in Court of Appeal Amsterdam 28 March 2002 (*Kazaa v. Buma/Stemra*), *AMI* 2002/4, p. 134 note J. Seignette.

and it is also used for substantial non-infringing uses.⁴⁴⁹ If not, its producer is liable in her opinion,⁴⁵⁰ even if he had no technical means to block the infringements without hindering the non-infringing uses.⁴⁵¹

4.4.5.4 Conclusion

To conclude, intermediaries to other parties' databases such as *i-telgids* and *El Cheapo* in our opinion do not often infringe the *sui generis* right themselves.⁴⁵² If their users commit infringing acts, such intermediaries may still be liable for an unlawful act on the same basis as Internet service providers. However, the normal use of these intermediaries is non-infringing as users will mostly extract only non-substantial database parts. Intermediaries will thus not often be held liable for acts performed by users. However, where a user of the intermediary does undertake acts which infringe the copyright and/or *sui generis* right of the database producer, the producer of the intermediary is not liable for these acts if he has no knowledge of them. If he does, or when the acts were brought to his notice, then the intermediary's producer is liable if he does not take action to stop the infringing acts as soon as he has knowledge of them, provided that he is able to block them.⁴⁵³ If he cannot do so, he might perhaps still be liable on the basis of the 'substantial non-infringing uses' criterion. However, he will often escape such liability, as most intermediaries are meant and used for non-infringing uses.⁴⁵⁴

449 In her annotation on Court of Appeal Amsterdam 28 March 2002 (*Kazaa v. Buma/Stemra*), *AMI* 2002/4, p. 143. Also compare *Spoor/Verkade/Visser* 2005, para. 8.9, p. 406.

450 In the same sense President District Court Breda 24 April 2002 (*Stichting Brein v. X*), *AMI* 2002/4, p. 137 note J. Seignette.

451 Koelman argues that the criterion of substantial non-infringing uses should merely be used by producers to assess the unlawfulness of new products or services which they wish to put on the market. This criterion should also take into account the public interest where the potential importance of the product for society is concerned. See his annotation on District Court Haarlem 12 May 2004 (*Techno Design v. Stichting Brein*), *AMI* 2004/5, p. 192.

452 We believe that the producer of an intermediary infringes the extraction right in another party's database only when he, on his own initiative and by his own active doings, transfers material from another party's database to his own server. Furthermore, he only infringes the reutilisation right if he actively, and on his own initiative, performs acts to make information available. Often, an intermediary merely provides an alternative access to another party's database while it is the users who after a query extract or reutilise data from it and thus potentially infringe the *sui generis* right. See sections 4.4.2.3 and 4.4.3.4.

453 In his annotation on District Court Haarlem 12 May 2004 (*Techno Design v. Stichting Brein*), *AMI* 2004/5, p. 193, Koelman mentions that this 'notice and take-down procedure' applies to service providers and search engines alike under s. 512(d) of the United States Code.

454 A producer of an intermediary may under specific circumstances still be liable on the basis of unfair competition, see section 4.6.6.

4.5 SUBSTANTIAL PART OF A DATABASE

4.5.1 Introduction

Infringement of the *sui generis* right is defined in the Directive as the extraction or reutilisation of the whole database or a substantial part thereof, evaluated either qualitatively or quantitatively.⁴⁵⁵ Moreover, the Directive declares that the same acts are forbidden when carried out repeatedly and systematically in relation to insubstantial parts, thereby causing harm to the producer's interests.⁴⁵⁶

Earlier proposals for the Database Directive were equipped with a definition of insubstantial parts.⁴⁵⁷ Nevertheless, a factual indication as to the size of a non-infringing part was not given; instead, the Explanatory Memorandum stated: 'The term 'insubstantial part' is defined in Article 1 paragraph 3 but no fixed limits can be placed in this Directive as to the volume of material which can be used'.⁴⁵⁸ According to Gaster, the definition was eventually deleted to leave its assessment to the courts.⁴⁵⁹

Instead of exempting insubstantial parts from the *sui generis* right like the First Proposal had done, the final Directive qualifies as an infringement only the taking of the whole or a substantial part of a database. According to Verkade and Visser,⁴⁶⁰ this reversed approach indicates that the infringing substantial part must be significant and not just a trifling part.⁴⁶¹ Bensinger states that the threshold of a substantial part serves two purposes.⁴⁶² Firstly, it should hinder the creation of exclusive rights on individual pieces of information. Secondly, it should ensure free availability for normal use, which in the view of the European legislator only touches upon insubstantial parts. The substantial part was indeed introduced in the Directive as compensation for

⁴⁵⁵ Art. 7(1).

⁴⁵⁶ Art. 7(5). This article and art. 7(1) are transposed in art. 2(1) of the Dutch Databases Act, arts. L. 342-1 and L. 342-2 of the French transposition, and reg. 16 of the British CRDR.

⁴⁵⁷ Art. 1(3) of the First Proposal read: "'Insubstantial part" means parts of a database whose reproduction, evaluated quantitatively and qualitatively in relation to the database from which they are copied, can be considered not to prejudice the exclusive rights of the maker of that database to exploit the database.' (COM(92) 24 final, 13 May 1992, OJEC 1992 C 156/4, also compare art. 8(a) of the Amended Proposal COM(93) 464 final, 4 October 1993, OJEC 1993 C 308/1).

⁴⁵⁸ Explanatory Memorandum to the First Proposal for the Directive COM(92) 24 final, 13 May 1992, p. 52 no. 8.4.

⁴⁵⁹ Gaster 1999, pp. 126-127 nos. 495-497.

⁴⁶⁰ Verkade/Visser 1999, p. 13.

⁴⁶¹ In our view, an incorrect approach was followed by the Leeuwarden Court of Appeal in 2002, which concluded that a substantial part was taken, merely from the fact that the taken parts were at least not insubstantial. Court of Appeal Leeuwarden 27 November 2002 (Wegener v. Hunter Select), CR 2003/1, p. 67 note H. Struik; AMI 2003/2, p. 59 note P.B. Hugenholtz; IER 2003/1, p. 25 note F. Grosheide; Mediaforum 2003/2, p. 60 note T. Overdijk.

⁴⁶² Bensinger 1999, p. 202.

the deleting of the provision on compulsory licensing.⁴⁶³ Thus, it may be argued that the criterion of a substantial part induces a fairly high threshold which serves the freedom of information.⁴⁶⁴ Gaster stresses that the requirement of a substantial part is meant as a flexible norm which must be applied on a case by case basis and thus allows for all kinds of databases.⁴⁶⁵

The Explanatory Memorandum accompanying the Dutch Databases Act has high hopes of contracts which define what is substantial and what is not between a user and a producer, as it was expected that this will create certainty.⁴⁶⁶ However, two arguments have been put forward to dash this hope. Firstly, contracts only have effect between the contracting parties so that third parties are still left with uncertainty. Secondly, art. 8(1) in conjunction with art. 15 of the Directive states, on a compulsory basis, that contract provisions which forbid lawful users from using insubstantial parts are null and void. Therefore, users who believe that they are presented with such provisions can still go to court. Thus, it was observed that defining a substantial part in a contract may encounter large problems, as one cannot be sure beforehand that the definition complies with art. 15.⁴⁶⁷

To assess a part's substantiality, it must be compared to the database from which it was taken. Thus, for example, it is not relevant whether the part is subsequently incorporated as an insubstantial part in a larger database, or used as such (e.g. without additions or other changes, as a database in its own right).⁴⁶⁸ The European Court of Justice ruled in 2004 that it is not relevant whether the extraction and/or reutilisation is for the purpose of creating another database, whether in competition with the original database or not, and whether it is the same or a different size from the original, nor is it relevant that the act is part of an activity other than the creation of a database.⁴⁶⁹ Art. 7(2)(a) condemns the extraction of a substantial part by any means or in any form, as Bensinger stresses.⁴⁷⁰ Thus, one also cannot escape infringement by adding value to the copied part. Illustratively, Mr Justice

463 Common Position adopted by the Council on 10 July 1995, *OJEC* 1995 C 288/14, especially pp. 26-27. Also see Verkade/Visser 1999, p. 13 and Leistner 2000, pp. 171-172.

464 Otherwise Leistner 2000, pp. 175, 176 and 179.

465 Gaster 1999, p. 127 no. 497.

466 Kamerstukken II 1997/98, 26 108, no. 3, p. 10. Also see Reinsma 1999, pp. 919-920.

467 Dutch Council of State in Advies van de Raad van State en Nader rapport, Kamerstukken II 1997/98, 26 108, no. B, p. 2 and the Databases Study Committee of the Dutch Association for Copyright in its 1999 report, p. 13.

468 Nevertheless, the way in which the part was subsequently used could arguably be of relevance for the courts when fixing the amount of compensation for the prejudiced producer.

469 For this, it referred to recital 42 which states that the *sui generis* right relates not only to the manufacture of a parasitical competing product but also to any user who causes detriment to the producer's investment. See European Court of Justice 9 November 2004, Case C-203/02 (*British Horseracing Board Ltd v. William Hill Organization Ltd*), consideration 47.

470 Bensinger 1999, pp. 189-190 and 204.

Laddie in the British BHB case considered that the manipulation of the data would have no impact on the issue of extraction since substantially the same information would still have to be copied from the database of the British Horseracing Board.⁴⁷¹ Moreover, he established that an infringement of the reutilisation right can also not be avoided through a modified presentation, for example, by rearranging or translating the database's text.⁴⁷²

The assessment of whether a substantial part has been taken has already been known in British copyright law for a long time. After establishing that the work at issue is protected by copyright, the courts assess whether the part taken is substantial enough for infringement. The CDPA states that a copyright infringement can be made in relation to the work as a whole or any substantial part thereof, and either directly or indirectly.⁴⁷³ Interestingly, for this test of substantiality, the British courts take both the factors of quantity and quality into account.⁴⁷⁴ The Database Directive requires the same in the context of the *sui generis* right.

4.5.2 Quantitative assessment

4.5.2.1 *The amount of data taken*

To assess the substantiality of a part taken, the part should qualitatively or quantitatively be compared to the database as a whole. To start with, one should first follow the most obvious assessment method by quantitatively comparing the amount of data taken with the total amount of data in the database.⁴⁷⁵ In the 2004 case of the British Horseracing Board, the European Court of Justice decided that a quantitatively substantial part refers to the volume of the data extracted, which must be assessed in relation to the volume of the contents of the whole database.⁴⁷⁶ The Court continued that if a user

471 British Horseracing Board Limited and others v. William Hill Organization Limited [2001] RPC 31, [2001] EWHC 516 (Pat). This consideration by Mr Justice Laddie supports our view that the extraction right is able to provide protection against products which are made through manipulating initially slavishly copied (parts of a) database, even though the end-product does not show similarities on a large scale with the reproduced database. Still, it may be difficult in practice to prove that slavish reproduction went on before the extensively changed end-product was made available. Copyright, on the other hand, merely seems to take the end-product into account. Thus, it cannot be opposed if the end-product does not sufficiently resemble the selection or arrangement of the copied database.

472 Also see Hughes 2001, p. 13.

473 S. 16(3)(a) and (b) CDPA.

474 Compare, for instance, Ladbroke (Football) Ltd. v. William Hill (Football) Ltd. [1964] 1 W.L.R. 273. Also see Laddie/Prescott/Vitoria 2000, p. 142, para. 3.131.

475 Speyart 1996-II, p. 174. *Memorie van Toelichting, Kamerstukken II 1997/98*, 26 108, no. 3, p. 10. Verkade/Visser 1999, p. 13.

476 European Court of Justice 9 November 2004, Case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), consideration 70.

extracts or reutilises a quantitatively significant part of a database whose creation required substantial resources, the investment in the extracted or reutilised part is, proportionally, equally substantial.

Bensingers is strict when she argues that a part is quantitatively substantial only if it makes up more than half of the database.⁴⁷⁷ However, this seems too strict a view. On the other hand, only one item will arguably not be a substantial part, as it is the smallest part which can be taken from a database.⁴⁷⁸ Nevertheless, in rare cases even the taking of one item may quantitatively be qualified as substantial, namely when it is very sizeable compared to the rest of the items in the database. Imagine, for example, a database which contains the texts of twenty five ISO standards. Twenty four of these standards make up ten pages at most, whereas one of them – ISO 9000, on international quality management – contains several sub-standards and amounts to at least one hundred pages. Because it is so very sizeable, ISO 9000 could well be a substantial part.⁴⁷⁹ Indeed, 100 pages will have been taken from a database consisting of 340 pages in total.

However, a strong argument against such an assessment is the fact that it could lead to the monopolisation of individual pieces of information formerly in the public domain. An important principle in copyright law is that copyright does not extend to mere facts or data.⁴⁸⁰ Moreover, the Directive explicitly states that the *sui generis* right should not give rise to a new right in individual elements, either.⁴⁸¹ In this context, Klos wonders if a database should contain a minimum amount of data. However, he observes that the Directive does not require this, while it puts forward competition law as the mechanism for correcting this situation. Nevertheless, Klos states that the monopolising power of the *sui generis* right is most manifest with databases containing so little elements that doubts can be expressed as to whether a collection is indeed at issue.⁴⁸² An approach which has the effect of one item being assessed as a substantial part, Bensingers believes, is questionable.⁴⁸³ We support her point of view. In our opinion, to avoid the monopolisation of mere facts or data, one should require a collection to contain at least so many elements that one item cannot be considered qualitatively or quantitatively a substantial part.

⁴⁷⁷ Bensingers 1999, p. 207.

⁴⁷⁸ Klos 2000, p. 2 gives the example of a protected database containing only three elements. The taking of one element will in this case also amount to an infringement. However, it could in our view be questioned whether such a database will meet the substantial investment threshold, or even contains a systematic arrangement.

⁴⁷⁹ This suggestion with the example is derived from the Ph.D. thesis by Elferink 1998, p. 182.

⁴⁸⁰ This is also supported by the Directive in recital 45.

⁴⁸¹ Recital 46.

⁴⁸² Klos 2000, p. 2. Quaadvlieg 2000, p. 186 argues that a quantitative threshold is given by the fact that an arrangement must be useful; a collection containing very few elements does not need arranging.

⁴⁸³ Bensingers 1999, p. 210 footnote 960.

4.5.2.2 Subsets of databases

Since the substantial part criterion must be judged in relation to the database as a whole, a producer may try and influence the court's assessment as to the size of the database. For example, within the context of a large database, he could state that the database at issue concerns merely a subset of it.⁴⁸⁴ Indeed, if a specific part is taken from a smaller subset, it will be considered to be an infringement sooner than when it is taken from the larger database. For example, in a Dutch case on deep linking to newspaper articles on the Internet, the judge considered that both the web sites of the newspapers, as well as the lists of titles of articles on these sites could in principle qualify as databases.⁴⁸⁵ He found, however, that both were just spin-offs of the newspaper in paper form and thus lacked a substantial investment. In case the opposite would be found for the newspaper web sites in the case on the merits, the judge in these interim injunction proceedings observed that there would still be no infringement as the part taken from the web sites – the list of titles – was not substantial.

In another Dutch case, a newspaper editor was at first instance not successful in arguing that both the newspaper and its job vacancies section were protected databases, due to the lack of the required systematic arrangement.⁴⁸⁶ On appeal, however, the job vacancies section – to which, by then, had been added an index – was recognised as a separate protected database in itself, from which a substantial part was taken.⁴⁸⁷ In 2000, a Dutch association of estate agents contested on appeal that its database with data of property for sale consisted of a large collection of smaller databases of the

484 At the other extreme is the Dutch Minister of Justice, who doubted whether a list of Dutch restaurants with a Michelin star and a list of newly discovered stars are databases 'as they in fact contain only one datum'. Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 5. This view (which confuses the amount of the data with their sort) was rightly criticised by Klos 2000, p. 2.

485 President District Court Rotterdam 22 August 2000 (*Dagbladen v. Eureka*), *IER* 2000/5, p. 268 note E. Arkenbout; *CR* 2000/5, p. 259 note H. Struik; *Informatierecht/AMI* 2000/10, p. 57 note K. Koelman; *Mediaforum* 2000/10, p. 344 note T. Overdijk.

486 President District Court Groningen 18 July 2002 (*Wegener v. Hunter Select*), *CR* 2002/5, p. 315; *AMI* 2002/5, p. 196 note K. Koelman; *Mediaforum* 2002/5, p. 301 note T. Overdijk; *JAVI* 2002/3, p. 100 note W. Pors. In a similar decision, the Amsterdam District Court also denied the qualification of databases to newspapers and magazines in paper form. The court argued that these media lacked the function of a reference source, which according to the court is required by the Directive given its criterion that the elements in a database must be individually accessible. District Court Amsterdam 4 September 2002 (PCM e.a. v. Euroclip), *CR* 2002/6, p. 381 note H. Struik; *Mediaforum* 2002/5, p. 329 note T. Overdijk; *JAVI* 2002/3, p. 100 note W. Pors; *JAVI* 2002/3, p. 102 note A. Quaadvlieg; *AMI* 2003/1, p. 22 note J. Spoor; *IER* 2003/1, p. 21 note F. Grosheide.

487 Court of Appeal Leeuwarden 27 November 2002 (*Wegener v. Hunter Select*), *CR* 2003/1, p. 67 note H. Struik; *AMI* 2003/2, p. 59 note P.B. Hugenholtz; *IER* 2003/1, p. 25 note F. Grosheide; *Mediaforum* 2003/2, p. 60 note T. Overdijk.

various cities and that only these smaller databases were individually searchable. This argument did not convince the appeal court, which instead established that the whole database of circa 45,000 items was searchable. Furthermore, the court found it difficult to reconcile with the Directive to assume that next to or apart from the database as such, parts of it are also protected.⁴⁸⁸ According to the appeal court, recital 20 – reading that the Directive’s protection may also apply to the materials necessary for the operation or consultation of certain databases such as thesaurus and indexation systems – implies that the protection in principle applies only to the database as such. Verkade and Visser also seem to favour an *a contrario* interpretation, deducing from this recital that organically cooperating parts do not, or not often, qualify as separate databases.⁴⁸⁹ However, the Dutch Supreme Court has contradicted this approach and is of the opinion that separate parts of a database can indeed themselves be databases, provided that they satisfy the database definition.⁴⁹⁰

Given that the Directive is not unambiguous on this point, producers may try to convince the courts that the allegedly infringing part is taken from a smaller subset which in itself is protected by the *sui generis* right. Every database may be cut into pieces, but several conditions must be fulfilled for these pieces to enjoy *sui generis* protection on their own.⁴⁹¹ In our view, the subset should be clearly identifiable and recognisable within the larger database, instead of being just an arbitrary part thereof.⁴⁹² Moreover, the subset must have the character of a separate entity, instead of merely being a subordinate part of the database.⁴⁹³ Thus, a job vacancies section in a newspaper, one issue within an annual volume of a specific journal, or a listing of titles on a newspaper web site may well qualify. Furthermore, the subset must be systematically arranged⁴⁹⁴ and meet the threshold of a substantial investment.

488 Court of Appeal The Hague 21 December 2000 (De Telegraaf v. NVM), *Mediaforum* 2000/2, p. 87 note M. van Eechoud; CR 2001/2, p. 89 note H. Struik; *Informatierecht/AMI* 2001/3, p. 70 note H. Cohen Jehoram.

489 Verkade/Visser 1999, p. 10.

490 HR 22 March 2002 (NVM v. De Telegraaf), *Mediaforum* 2002/5, p. 174 note T. Overdijk; *AMI* 2002/3, p. 88 note D. Visser; *IER* 2002/4, p. 150 note H. Speyart; *JAVI* 2002/1, p. 25 note B. Lenselink; CR 2002/3, p. 161 note H. Struik.

491 In the same way, parts of a copyright work can be protected by copyright itself, provided that they meet the originality threshold.

492 Such identifiability is an inherent characteristic of both collections and databases, see section 2.1.1.2.

493 See the conclusion of Advocate General Spier (paras. 4.15 to 4.21) in the Supreme Court case HR 22 March 2002 (NVM v. De Telegraaf), *Mediaforum* 2002/5, p. 174 note T. Overdijk; *AMI* 2002/3, p. 88 note D. Visser; *IER* 2002/4, p. 150 note H. Speyart; *JAVI* 2002/1, p. 25 note B. Lenselink; CR 2002/3, p. 161 note H. Struik.

494 Struik argues that the subset must have a systematic arrangement of its own, next to the arrangement which characterises the larger database, and with which the subset must also fit in. See his annotation on Court of Appeal The Hague 21 December 2000 (De Telegraaf v. NVM), CR 2001/2, p. 93.

A stricter stance would be to also require that the subset is exploited separately from the larger whole. An example could be an online catalogue on the web site of a university library,⁴⁹⁵ which through special software at the same time forms part of a larger database of an international association of university libraries, which is thus jointly maintained among its affiliated members.

4.5.3 Qualitative assessment

4.5.3.1 *Money invested in the part*

If a part taken is not assessed to be substantial as to its amount or size, it still can be substantial on the basis of the money, time, effort and/or energy invested in it by the database producer. This is the qualitative test which, according to the European Court of Justice, refers to the scale of the investment in the obtaining, verification or presentation of the part, regardless of whether that material represents a quantitatively substantial part of the database. The Court continues that a quantitatively negligible part of a database may in fact represent significant human, technical or financial investment in terms of obtaining, verification or presentation.⁴⁹⁶

It should thus be determined whether the part taken represents a substantial part of the total investment made in the database. Hagen argues that a part is substantial if the producer obtained these specific data through a substantial investment.⁴⁹⁷ He believes that this is only logical given the Directive's aim to protect investments. His approach, however, considers the part taken as a database in its own right, on which to apply the low threshold of substantial investment.⁴⁹⁸ We believe that this is not a correct method, since the substantiality of the part must always be compared to the total of the investments made in the database as a whole. Thus, a small amount of data can be a substantial part. Imagine, for example, a database containing scientific data, a small group of which are obtained through high research investment, while the rest of the data were already widely known and easily available.

Cornish and Bensinger argue that the scope of the *sui generis* protection relates to the protectability of the database at issue.⁴⁹⁹ Analogous to copyright

495 However, a substantial investment may be lacking if the maintenance of a library catalogue is considered to involve the creation of new data.

496 European Court of Justice 9 November 2004, Case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), consideration 71.

497 Hagen 2002, pp. 8, 12.

498 Bensinger 1999, p. 204 critically observes that this investment in most cases can only be attributed to the whole database, and that the database at issue should not coincide with the part taken.

499 Cornish 1997, p. 439; Bensinger 1999, pp. 164 and 205.

law, Bensinger argues that the higher the investment in a database, the smaller the parts may be that qualify as infringements. She calls this a proportionality test with which to assess the unlawfulness of the taking. This test, we believe, requires a comparison between the investments made in the specific part taken and the total investments made in the database from which it was taken. Thus, the substantiality of a part must always be assessed in a relative way through relating it to the investments in the whole database.

4.5.3.2 *Quality of the part and the European Court of Justice*

(a) *Relation to the producer's investment*

If the financial test does not establish the substantiality of a part taken, then an assessment should be made of the effort, time and/or energy invested in the part's obtaining, verification and/or presentation. For example, imagine a database with data obtained through highly skilled but underpaid or unpaid labour. An example is a database made by academic volunteers which includes some data that were very difficult to collect. Although the financial expenditures incurred in obtaining these data were low,⁵⁰⁰ their quality is higher than that of commonplace data because of the substantial effort, time and/or energy it took to obtain them. Thus, it is likely that five rare data out of a database with a hundred data concerning a rare plant species are a substantial part, whereas five out of a hundred commonplace data are not.⁵⁰¹ The five rare data may well be the database's 'jewel in the crown'.⁵⁰²

High investments made for obtaining, verifying and/or presenting a specific database part gives this part a high quality, which may well result in its qualification as a substantial part. This was confirmed by the European Court of Justice in 2004. It found that in order to assess the substantiality of a part, it must be considered whether the human, technical and financial efforts put in by the maker of the database in obtaining, verifying and presenting those data constitute a substantial investment.⁵⁰³

500 However, compare footnote 5 of chapter 4 where we argued that skilled labour should be valued at intrinsic cost instead of at current cost.

501 The test may be whether the part taken is novel or striking, or whether it merely consists of commonplace or well-known data. A similar test was suggested for copyright by Lord Reid in the British case *Ladbroke (Football) Ltd. v. William Hill (Football) Ltd.* [1964] 1 W.L.R. 273, at p. 276: '(...) the question whether he has copied a substantial part depends much more on the quality than on the quantity of what he has taken. One test may be whether the part which he has taken is novel or striking, or is merely a commonplace arrangement of ordinary words or well-known data.'

502 Also see subsection 4.5.3.2c and footnote 524.

503 European Court of Justice 9 November 2004, Case C-203/02 (*British Horseracing Board Ltd v. William Hill Organization Ltd*), consideration 76. For the sake of completeness, the Court also ruled in consideration 82 that any part which is not substantial, evaluated both quantitatively and qualitatively, falls within the definition of an insubstantial part.

(b) *Economic value and the position of the European Court of Justice*

Apart from the European Court's investment-related criterion, it has been argued that the substantiality of a part can also be apparent from its economic value. The price that someone is willing to pay for a database part may be higher the more the producer has invested in the part's obtaining, verification and/or presentation, but this correlation does not always exist. The economic value of commonplace data may, for example, exceed the economic value of rare scientific data if more people – end-users and/or commercial parties – are interested in the commonplace data and willing to pay for them. The economic value of a database thus does not necessarily correspond with the amount of the investment in its production, as we already observed in section 4.2.6.1. In other words, high production costs do not always assure a high economic value. Moreover, it is possible that the production costs were low while the economic value of the database contents turns out to be high. Database producers would thus benefit from a substantiality assessment which is related to the part's economic value.

Gaster is a supporter of this assessment.⁵⁰⁴ He stresses that the substantiality of a part must always be assessed against the economic value of the whole database. He refers to the WIPO Draft Database Treaty for this, which contains a clear definition in art. 2(v), reading:

“Substantial part”, in reference to the contents of a database, means any portion of the database, including an accumulation of small portions, that is of qualitative or quantitative significance to the value of the database.

A note clarifies that this article refers to the commercial value of the database,⁵⁰⁵ which, on the one hand, consists of the direct investments made in the database and, on the other, of the market value or expected market value of the database.⁵⁰⁶ One could argue that it is especially databases with a high economic value that need protection against infringement, as they are more likely to fall victim to attacks. Indeed, the higher the economic value of a database is, the more eager people are to copy from it.

However, the Directive has chosen not to confer *sui generis* protection on databases for their high economic value, but for the investments made in their production.⁵⁰⁷ According to its recital 42, an infringement is at issue when the producer's investment is harmed. The starting point of the Directive thus seems to be that the criterion for protection (substantial investment) must be directly related to the infringement criterion (substantial part). This also

504 Gaster 1999, p. 126 no. 495. Another supporter is Advocate General Stix-Hackl, see her conclusion of 8 June 2004 delivered in case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), paras. 77 and 78.

505 See the entire text of this note 2.09 in Appendix 2.

506 Gaster 1999, p. 126 no. 495 agrees with this approach in the WIPO Draft Treaty.

507 Also see section 4.2.6.1.

appears to be the stance of the European Court. In its 2004 decision on the database of the British Horseracing Board, it established:⁵⁰⁸

‘(...) as the existence of the *sui generis* right does not, according to the 46th recital of the preamble to the directive, give rise to the creation of a new right in the works, data or materials themselves, the intrinsic value of the materials affected by the act of extraction and/or re-utilisation does not constitute a relevant criterion for the assessment of whether the part at issue is substantial.’

Thus, the intrinsic value of a part is not relevant for assessing its substantiality, evaluated qualitatively. Accordingly, the Court has considered irrelevant for this assessment the statement of the British Horseracing Board (BHB) that the data which William Hill extracted and reutilised from its database are of crucial importance and vital for the organisation of the horse races for which the BHB is responsible.⁵⁰⁹

With ‘intrinsic value’, the European Court most probably meant to refer to the information’s economic value, as was also observed by Davison and Hugenholtz.⁵¹⁰ The position taken by the Court may be applauded. Indeed, given that the initial investments in the database’s production are decisive for whether the database is protected by the *sui generis* right in the first place, there would be a discrepancy if the database’s infringement were to be assessed by an unrelated criterion, namely the value which a database part may have obtained afterwards. Several Dutch authors therefore rejected relating the substantiality of a part to its economic value, before the European Court did so in 2004. Hugenholtz argued that, analogous to copyright, the object and scope of the *sui generis* protection must be interrelated and that the *sui generis* right should not become an exclusive right in data that are economically valuable.⁵¹¹ Struik referred to recital 42 in stating that the decisive factor is not so much the value a part has for the user, but the extent to which the producer’s investment is harmed.⁵¹² Indeed, the whole rationale of the *sui generis* right is to protect investments, so that the infringement criterion should be directly related to this rationale.

508 European Court of Justice 9 November 2004, Case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), consideration 72. A comparable wording is to be found in consideration 82.

509 See consideration 78.

510 Davison/Hugenholtz 2005, p. 116. One could argue, in our view, that information does not have intrinsic or an inherent value of its own, but that value is only placed on it by the beholder. The importance it has for him is decisive for the price he is willing to pay; this price represents the information’s economic value.

511 In his annotation on Court of Appeal Leeuwarden 27 November 2002 (Wegener v. Hunter Select), *AMI* 2003/2, p. 63. Also see Davison/Hugenholtz 2005, p. 116.

512 In his annotation on President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *CR* 2000/6, p. 302.

(c) *Qualitatively a substantial part in case law*

In all the countries we studied, case law exists in which the courts took into account the economic value which a taken part had. In these judgments, the parts at issue were judged either to be the database's core information assessed as a total across users, or to be of high economic value for the individual user in the particular case at issue. As a result, small parts were assessed as being qualitatively substantial and thus infringing. These decisions all precede the 2004 decision of the European Court of Justice.

The French courts have found in several judgments that an extracted part of a database, although quantitatively small, can still be qualitatively substantial. The first case concerned a web site which published press releases originating from companies quoted on the stock market.⁵¹³ The defendant News Invest copied ten press releases and two annual reports and published these on its own web site. The tribunal stated that the substantiality of a part must be assessed in connection with the use made of it. The part copied by News Invest was not considered to be quantitatively substantial compared to the amount of press releases being published every day.⁵¹⁴ Nevertheless, the tribunal decided that it was still qualitatively substantial as the extraction was carried out by a competitor, and it enabled it to enrich its own database. This judgment was, however, overruled by the appeal court, which found that the part copied was neither quantitatively, nor qualitatively substantial.⁵¹⁵ It considered that qualitative substantiality requires additional circumstances such as the particularly strategic value or actuality of the data.

Such special value was assessed to be present in two cases on specialised search engines for job vacancies and property for sale respectively. Following a query, these engines presented a list of references in the form of short descriptions, with deep links to the detailed information on the claimants' web sites.⁵¹⁶ The Paris court found that the data which Keljob extracted every night for making the short references were the core information of Cadremploi's database containing job vacancies.⁵¹⁷ Although the extracted information formed less than 12% of the claimant's database, this still represented qualitatively a substantial part according to the court. Thus, Keljob was held to infringe the *sui generis* right by daily extracting a substantial part,

513 Tribunal de commerce Nanterre 16 May 2000 (SA PR Line v. SA Communication & Sales et Sarl News Invest), on the Internet: www.legalis.net.

514 According to News Invest, fifteen press releases appeared every day.

515 CA Versailles 11 April 2002 (Sarl News Invest v. SA PR Line), *RIDA* 2002/194, p. 247 note A. Kéréver.

516 Also see section 4.4.2.3 on these cases.

517 TGI Paris 5 September 2001 (SA Cadremploi v. SA Keljob et Sté Télécommunications France), on the Internet: www.legalis.net.

while appropriating the other party's work and effort.⁵¹⁸ In the Néressis case, the court also found that the defendant, by means of his search engine, had extracted the core information of the claimant's database.⁵¹⁹ Since this information on price, location, the floor area and the number of rooms is the most important information on a property for a searcher, the court held that the defendant had extracted qualitatively a substantial part of the database of Néressis. In both decisions, the extracted information was thus held to be the database part with the largest economic value, assessed as a total across users.

Gaudrat even supports relating the economic value of a part to the importance this part has for an individual user in a given case.⁵²⁰ This same subjective approach was followed in Dutch injunction proceedings with respect to a database containing property for sale. First, the judge questionably established that ten data out of this database of 45,000 items were quantitatively a substantial part.⁵²¹ Next, he held that even less than ten data were qualitatively a substantial part, because of the importance these data have for a potential buyer who performs aimed searches in the database.⁵²²

The 2001 British decision on the database of the British Horseracing Board takes a similar stand.⁵²³ The web site of the defendant William Hill presented all races to be run on the day on which the site was visited, the following day and a selection of races run in the more distant future. Mr Justice Laddie established that this racing information was the ultimate and crucial information in the BHB's database, and that William Hill had thus copied the 'core

518 Preceding this judgment, however, the appeal court had decided on the judgment in summary proceedings that the data Keljob had extracted did not represent a substantial part of Cadremploi's database, nor did these extractions manifestly exceed the conditions of normal use of the database. See CA Paris 25 May 2001 (SA Keljob v. SA Cadremploi), *Propriétés Intellectuelles* 2001/1, p. 92 note J. Passa.

519 TGI Paris 14 November 2001 (SA Les Editions Néressis v. SA France Télécom Multimédia Services), on the Internet: www.legalis.net.

520 Gaudrat 1999-II, pp. 402, 409.

521 President District Court The Hague 12 September 2000 (NVM v. De Telegraaf). The outcome of this quantitative assessment was also questioned by Van Eechoud, Struik, and Overdijk commenting on this case in *Mediaforum* 2000/11-12, p. 398; *CR* 2000/6, p. 301, and *Informatierecht/AMI* 2000/9, pp. 194-195 respectively.

522 This subjective approach was also criticised by Van Eechoud and Struik in their annotations on the case, whereas it was supported in Overdijk's annotation. In a similar case, a Dutch appeal court decided that the 'essential' information from the job vacancies section of a newspaper was taken. However, the court did not explain whether it used a quantitative or a qualitative assessment; it merely concluded that the part taken was not qualitatively or quantitatively insubstantial. Court of Appeal Leeuwarden 27 November 2002 (Wegener v. Hunter Select), *CR* 2003/1, p. 67 note H. Struik; *AMI* 2003/2, p. 59 note P.B. Hugenholtz; *IER* 2003/1, p. 25 note F. Grosheide; *Mediaforum* 2003/2, p. 60 note T. Overdijk.

523 British Horseracing Board Limited and others v. William Hill Organization Limited [2001] *RPC* 31, [2001] *EWHC* 516 (Pat), paras. 52 and 53.

data' from this database.⁵²⁴ According to the judge, the importance of the data for the alleged infringer is not irrelevant for assessing whether these data are qualitatively a substantial part of the database.

As Colston remarks, most uses will be considered substantial if one follows the subjective approach of the above case law.⁵²⁵ Indeed, people who use databases usually aim to obtain specific information, which consequently is of importance to them.⁵²⁶ Normal use of a database would thus always be infringing, which seems contrary to the Directive given that it, on a compulsory basis, leaves free the use of insubstantial parts.⁵²⁷ Moreover, when this subjective approach is carried to an extreme, then even one data could amount to a substantial and thus infringing part, for example, when it concerns the property which the user eventually purchased.⁵²⁸ However, an individual element may arguably not constitute a substantial part as this would create a new right in a single datum, which contravenes the Directive.⁵²⁹

Therefore, it is to be acclaimed that the European Court of Justice appears to have ruled against involving the economic value criterion altogether and thus against the subjective approach.⁵³⁰ Instead, the Court has established that the qualitative substantiality of a part relates to the human, technical and financial efforts made by the producer in that part's obtaining, verification and/or presentation.⁵³¹

4.5.4 Insubstantial parts

4.5.4.1 *Repeated and systematic taking*

It is the task of the producer to prove that a substantial part is taken from his database, or that significant harm is inflicted upon him in case insubstantial

524 In an Amsterdam meeting of the Dutch Association for Copyright on 24 January 2003, Gaster called this the 'jewel in the crown theory', which he appeared to support.

525 Colston 2001, para. 3.3.

526 Reichman/Samuelson 1997, p. 91 critically write: '(...) if the data extracted by the user are the data responsive to his or her query, one can always argue that the extraction was qualitatively substantial.' Moreover, the more sophisticated a search program or a search engine is, the more precise a user can search a database and the less results he will find. Thus, in the subjective approach, the quantity of the results could be inversely proportional to their qualitative substantiality.

527 Art. 8(1).

528 Mentioned by Struik in his annotation on the case in CR 2000/6, pp. 301-302.

529 Recital 46. Also see the end of section 4.5.2.1 and Colston 2001, para. 4.1.

530 Also see Davison/Hugenholtz 2005, p. 116.

531 European Court of Justice 9 November 2004, Case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), considerations 76 and 82.

parts have systematically been taken.⁵³² This taking of insubstantial parts must be done both repeatedly and systematically under art. 7(5). According to Vogel, an indication for a systematic approach is that the takings are carried out within a small period of time, and with intent.⁵³³ Analogously, Vogel argues that a repeated taking which coincidentally follows from a specific research or use purpose does not qualify as systematic taking. Leistner adds that it must each time concern different parts.⁵³⁴ According to Struik, art. 7(5) seems to concern repeated and systematic taking done with intent so that one eventually disposes of a substantial part.⁵³⁵ The systematic taking of insubstantial parts by a group of users with the (malicious) intention to bleed the whole database dry may perhaps also be covered by art. 7(5), as this provision does not require that the acts are performed by one user only, or that the parts are stored in one place.⁵³⁶

A user in any case harms the producer's interests⁵³⁷ by systematically taking insubstantial parts when these parts together make up a substantial part. Many authors argue that the insubstantial parts altogether must eventually amount to an infringing substantial part.⁵³⁸ The European Court of Justice indeed ruled accordingly in 2004.⁵³⁹

4.5.4.2 *Dynamic databases*

Constantly changing electronic databases face special problems. Real-time databases with contents such as stock market prices, race course results, or weather data must be permanently updated. Systematic taking of insubstantial

532 Explanatory Memorandum to the First Proposal for a Directive, p. 52 no. 8.4; Hugenholtz 1996, p. 135; Bensinger 1999, p. 203; Frequin 1999, p. 12; Hagen 2002, p. 8 and also Gaster 1999, p. 159 no. 654. Incorrectly stating otherwise is the Explanatory Memorandum to the Dutch Databases Act, Kamerstukken II 1997/98, 26 108, no. 3, p. 10.

533 Vogel in Schricker 1999, p. 1349 no. 22. Accordingly, Advocate General Stix-Hackl states in her conclusion of 8 June 2004 in case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), para. 124: 'There is a repeated and systematic act when it is carried out at regular intervals, for example, weekly or monthly. If the interval is less and the affected part small, the act will have to be carried out more frequently for the parts affected overall to fulfil one of the two requirements laid down by Article 7(5) of the Directive.'

534 Leistner 2000, p. 181.

535 In his annotation on President District Court Rotterdam 22 August 2000 (Dagbladen v. Eureka), CR 2000/5, p. 263.

536 For example, repeated and systematic taking may perhaps also be done by several users who arranged to each take one insubstantial part in order to reconstitute the whole database.

537 See section 4.6 on the interpretation of this harm.

538 Hornung 1998 p. 113; Bensinger 1999, pp. 214 and 215; Vogel in Schricker 1999, p. 1349 no. 22; Leistner 2000, p. 180; Dutch Databases Study Committee Report 1999, p. 15; Struik in his annotation on President District Court Rotterdam 22 August 2000 (Dagbladen v. Eureka), CR 2000/5, p. 263. Bensinger argues that art. 7(5) may then in fact be obsolete next to art. 7(1).

539 See section 4.6.3. The British transposition reflects the same approach in reg. 16(2) CRDR.

parts from these dynamic databases may amount to an infringement, unless the alleged infringer successfully proves that each updated version is a new database.⁵⁴⁰ In that case, *systematic* taking cannot be proven, as each time it is done from a different, new database.

In case law, this defence has so far met with different outcomes. For example, it was successful in a German court which in injunction proceedings argued that a newspaper web site changing daily should be considered as a new database every day, so that systematic taking from one database was not at issue.⁵⁴¹ The opposite approach may be observed in the United Kingdom. Interestingly, 19th century British case law exists where the systematic taking of insubstantial parts from a regularly updated compilation has been held to infringe copyright.⁵⁴² Furthermore, in a 1997 case, Mr Justice Laddie held that the courts could construe such an infringement by considering the claimant's serial publications as a single work published in instalments, or by regarding the defendant's acts of copying as a single act, spread over time.⁵⁴³ He subsequently followed a similar approach in his 2001 decision in the database case *British Horseracing Board v. William Hill*.⁵⁴⁴ William Hill put forward the defence that the BHB constantly updates its database and thus creates endless numbers of new databases, so that it cannot be said that William Hill repeatedly and systematically made use of one database. Mr Justice Laddie in principle dismissed this defence, stating that a constantly updated database must be regarded as a single database in a state of constant revision.⁵⁴⁵ Moreover, he argued that the Directive does not suggest that it

540 Art. 10(3) of the Directive considers an existing database which has been substantially changed through a substantial investment as a new database, worthy of its own term of protection.

541 Landgericht Munich 1 March 2002, *CuR* 2002/6, p. 452. Struik argued the same in a comparable Dutch case; see his annotation on President District Court Rotterdam 22 August 2000 (*Dagbladen v. Eureka*), *CR* 2000/5, p. 263.

542 *Trade Auxiliary Co v. Middlesbrough and District Tradesmen's Protection Association* (1888) 40 *Ch. D.* 425; *Cate v. Devon and Exeter Constitutional Newspaper* (1889) 40 *Ch. D.* 500. In these cases, the defendants directly competed with the claimants and appropriated the fruits of their labour. Also see Laddie/Prescott/Vitoria 2000, pp. 143-144, para. 3.132.

543 *Electronic Techniques (Anglia) Ltd v. Critchley Components Ltd* [1997] *F.S.R.* 401.

544 *British Horseracing Board Limited and others v. William Hill Organization Limited* [2001] *RPC* 31, [2001] *EWHC* 516 (Pat). The facts of the case were discussed in section 4.2.3.5.

545 The period of database right protection of a dynamic database constantly renews with the addition of new data, according to Mr Justice Laddie. He argued that an unlicensed third party who merely takes older data from a dynamic database only faces a database right which runs from the date when all of that older data was present in the database at the same time. In practice, we believe that this date is difficult to establish, unless some sort of date stamping has been applied to every piece of information incorporated. The desirability of this date-stamping is, however, debatable as it may well go against recitals 45 and 46 stating that the *sui generis* right does not create copyright nor any new rights in the works, data or materials in the database.

does not apply to dynamic databases in the same way as to databases in a fixed form.⁵⁴⁶

Yet, alleged infringers should indeed try and present this argument in the context of dynamic or real-time databases.⁵⁴⁷ They may, however, face a difficult task if the courts actually require them to prove that a new database is at issue, through demonstrating that the producer has substantially invested in the updating. The British Court of Appeal in the case *BHB v. William Hill* in fact made a reference to the European Court of Justice asking whether with every substantial change of a database's contents, the resulting database must be considered to be a new, separate database.⁵⁴⁸ Regrettably, however, the European Court left this question unanswered in its 2004 decision.⁵⁴⁹

4.6 HARM TO THE PRODUCER'S INVESTMENT

4.6.1 The whole database or a substantial part

The extraction and/or reutilisation of a whole database or a substantial part thereof infringes the *sui generis* right. Harm caused to the producer's investment is apparently an indication as to whether an act is infringing, for the Directive states in recital 42:

Whereas the special right to prevent unauthorized extraction and/or re-utilization relates to acts by the user which go beyond his legitimate rights and thereby harm the investment; whereas the right to prohibit extraction and/or re-utilization of all or a substantial part of the contents relates not only to the manufacture of a parasitical competing product but also to any user who, through his acts, causes significant detriment, evaluated qualitatively or quantitatively, to the investment.

⁵⁴⁶ Gaster 2001, p. 78 seemed to support this judgment, as he argued that an attempt to split the database into a series of separate databases would not reflect reality. However, he appears to have changed his opinion; at a meeting of the Dutch Association for Copyright on 24 January 2003, he argued that, legally speaking, a constantly changing real-time database consists of several new databases, whereas art. 7(5) implies that the contents must be taken from one and the same database.

⁵⁴⁷ This defence may be compared with the argument of a database producer stating that the database at issue is only a subset from the database from which the part was taken. We discussed this argument, which tries to influence the court's assessment of the substantial part, in section 4.5.2.2.

⁵⁴⁸ Reference for a preliminary ruling by the Court of Appeal (England and Wales) (Civil Division), by order of that court dated 24 May 2002, in the case of 1) The British Horseracing Board Limited, 2) The Jockey Club and 3) Weatherbys Group Limited against William Hill Organization Limited (Case C-203/02), *OJEC* 2002 C 180/14, question 11.

⁵⁴⁹ European Court of Justice 9 November 2004, Case C-203/02 (*British Horseracing Board Ltd v. William Hill Organization Ltd*), consideration 96. The Court considered it unnecessary to reply to this question, given that it had already answered the other ten questions.

Referring to this recital, Speyart states that a part taken is substantial if the harm its taking causes to the producer's investment is also substantial.⁵⁵⁰ On the other hand, Vogel argues that such harm does not have to be proved, because the Directive already presupposes that the taking of a substantial part causes such detriment.⁵⁵¹ We believe that this is correct as the European Court has established that a part is quantitatively substantial when its volume is substantial compared to the volume of the total contents, and qualitatively substantial when its obtaining, verification and/or presentation required a substantial investment. Thus, an infringement is established as soon as a substantial part or a whole database is taken, and separate evidence of substantial harm to the producer's investment no longer has to be produced anymore. In our opinion, the harm test is required only when insubstantial parts have been taken in accordance with art. 7(5) of the Directive or when acts covered by art. 8(2) are at issue.

4.6.2 The two-step test in articles 7(5) and 8(2)

While the taking of a whole database or a substantial part thereof presupposes that substantial harm is done to the producer's investment, the Directive explicitly imposes a harm test where the acts in arts. 7(5) and 8(2) are concerned. The producer must prove harm when the repeated and systematic taking of insubstantial parts is at issue, according to art. 7(5). Art. 8(2) functions as a safeguard clause to prohibit all acts by lawful users which harm the producer's interests concerning databases which have been made available. Both provisions forbid:

acts which conflict with a normal exploitation of the database or unreasonably prejudice the legitimate interests of the producer.

The wording of this 'two-step test' matches the last two conditions of the three-step test in art. 9(2) BC and art. 13 TRIPS which, instead, apply to copyright exceptions.⁵⁵²

The two-step test has been diversely transposed. In the Netherlands, both arts. 7(5) and 8(2) were adopted literally.⁵⁵³ However, the French transposition

⁵⁵⁰ Speyart 1996, p. 174. He is supported by Struik in his annotation on President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), CR 2000/6, p. 302. Leistner 2000, pp. 173, 174 and De Koning 2005, pp. 120, 121 also favour this approach.

⁵⁵¹ Vogel in Schricker 1999, p. 1344 no. 9.

⁵⁵² The three-step test is also included in art. 10 of the WIPO Copyright Treaty and art. 16(2) of the WIPO Performances and Phonograms Treaty, which were adopted after the Database Directive.

⁵⁵³ Art. 2(1)(b) and art. 4 Databases Act respectively.

contains a freely translated, simplified version of art. 7(5).⁵⁵⁴ It states that the producer may prohibit the repeated and systematic extraction or reutilisation of insubstantial parts when these acts 'manifestly go beyond the conditions of normal use of the database'.⁵⁵⁵ As this criterion is not equivalent to the two-step test in the Directive, there is a risk that the French courts will attach a divergent, national meaning to it.⁵⁵⁶ This risk also exists in the United Kingdom, where the provision parallel to art. 7(5) reads that the systematic extraction or reutilisation of insubstantial parts of the database contents 'may amount to the extraction or re-utilisation of a substantial part of those contents'.⁵⁵⁷ However, it does not specify when this is the case. It was argued that the two-step test was not adopted in the United Kingdom because it does not happily fit in with common law traditions.⁵⁵⁸ However, this British and French omission of the two-step test in our view does not serve the Directive's harmonisation purposes. Still, in accordance with European law principles, the courts are obliged to interpret national law in conformity with the Directive. Contrary to the Directive, the compulsory art. 8(2) with its two-step test has neither been transposed in France nor in the United Kingdom.

As to the meaning of the two-step test, the Explanatory Memorandum accompanying the Directive's First Proposal stated that the producer must demonstrate that the amount of material taken prejudiced his normal exploitation of his database, for example, by substituting as a source in its own right for the materials in question.⁵⁵⁹ Vogel argues that the damage required in art. 7(5) by the systematic taking of insubstantial parts is sufficiently demonstrated when it can be assumed that use contracts should have been concluded, had it not been for the taking.⁵⁶⁰ In his opinion, this is the case when the infringer's aim is to build a competing database or when substantial harm is done to the producer's investment in the sense of recital 42. Yet, use made of (parts of) a database does not have to be commercial to be infringing since the Directive explains in recitals 39 and 42 that acts of end-users can also result

554 This simplification was welcomed by the Senate's Commission led by Jolibois. See the French Senate's Jolibois report 1997/1998, Examen des articles, art. 5.

555 Art. L. 342-2 CPI.

556 In CA Paris 25 May 2001 (SA Keljob v. SA Cadremplei), *Propriétés Intellectuelles* 2001/1, p. 92 note J. Passa, insubstantial parts had been taken, but it was judged that this did not exceed the normal use conditions of the database, without further explanation.

557 Reg. 16(2) CRDR.

558 Rees in Rees/Chalton 1998, p. 61.

559 The Explanatory Memorandum to the First Proposal for the Directive COM(92) 24 final, 13 May 1992, p. 52 no. 8.4. It seems to qualify any form of exploitation coincidentally chosen by the producer at issue as the normal exploitation of his database. Reichman/Samuels on 1997, p. 91 footnote 173 wonder: 'If database owners are prepared to charge for every unit that a user might want, is there any taking so insubstantial that a database owner could not argue that it unreasonably interfered with its normal exploitation of the market?'

560 Vogel in Schricker 1999, pp. 1347-1348 no. 23.

in infringement.⁵⁶¹ The Databases Study Committee of the Dutch Association for Copyright suggested that perhaps the interests of a producer have been prejudiced when he could have made money, had the infringer asked his permission for the taking.⁵⁶² Leistner agrees that this definitely damages a database's normal exploitation.⁵⁶³

The correct interpretation of the two-step test in arts. 7(5) and 8(2) still remains uncertain. One could ask whether the harm meant here corresponds to the harm done to the investments which the producer initially undertook for the database's production. These investments in the obtaining, verification and/or presentation of the contents are the rationale for the *sui generis* protection. This rationale was probably the reason why the European Court of Justice established that the qualitative substantiality of a part must relate to these initial investments, instead of to the economic value of the part.⁵⁶⁴

The wording of the two-step test in arts. 7(5) and 8(2), however, might suggest that it does not (only) regard the initial production investments, but (also) the producer's profit expected in the future. Yet, the Directive does not provide certainty on this. Recital 48 only states that the *sui generis* protection is meant to secure the remuneration of the producer. As for recital 42,⁵⁶⁵ it is also uncertain whether the harm to the investment meant here merely involves the recovery of the production costs,⁵⁶⁶ or the loss of expected profit, as well. Still, by commercially exploiting his database, a producer does not only aim at recovering the production costs, but also at making a profit. This profit may perhaps also comprise 'a normal exploitation' or 'the legitimate interests of the producer' in arts. 7(5) and 8(2). The *sui generis* right lasts for fifteen years and the production costs may have been recovered well before the ending of this period. Hackemann argued that an infringement of the *sui generis* right can still occur after the production costs have been recovered.⁵⁶⁷ In this approach, factors such as the economic success of the database,⁵⁶⁸ the economic value of its contents and the expected profits are also relevant

561 This was, however, different in the earlier proposals of the Directive, which favoured an approach based on unlawful competition by creating a right to prevent unfair extraction for commercial purposes only. See art. 2(5) of the First Proposal, COM(92) 24 final, 13 May 1992, OJEC 1992 C 156/4 and art. 10(2) of the Amended Proposal, COM(93) 464 final, 4 October 1993, OJEC 1993 C 308/1.

562 Dutch Databases Study Committee Report 1999, p. 13. The approach of this Committee could also be applied to protected databases which are not published and/or (commercially) exploited. Yet, this seems rather a theoretical problem, since protection will mostly be invoked for databases which have been made available to the public.

563 Leistner 2000, p. 182.

564 See section 4.5.3.2b.

565 See its text in the preceding section.

566 Leistner 2000, pp. 173 and 174, and Bensinger 1999, p. 190 seem to adhere to this view.

567 Hackemann 1998, p. 511.

568 The *sui generis* right holder may thus, for example, suffer financial loss by a reduction in sales or a reduction in subscribers to an on line database.

for assessing the harm done under arts. 7(5) and 8(2). However, if this approach would be correct, arts. 7(5) and 8(2) would perhaps be more closely related to the tenet of unfair competition than to (the protection rationale of) the *sui generis* right, of which right they form a part.⁵⁶⁹

4.6.3 The European Court of Justice on article 7(5)

References were made to the European Court of Justice on the meaning of the Directive's two-step test in the case of the British Horseracing Board (BHB)⁵⁷⁰ and the Swedish Fixtures case. Advocate General Stix-Hackl in her conclusion in the BHB case argued that a 'conflict with a normal exploitation' may cover the exploitation of potential markets not exploited by the producer, for example, where a person fails to pay licence fees. Moreover, she argued that there may be such a conflict even in the case of negative effects on a limited scale. As for the formula of 'unreasonable prejudice', she argued that legitimate interests are wider than just legal interests. In her opinion, the infringement of art. 7(5) does not necessarily require a competitor creating a competing database.

In its 2004 BHB judgment, the European Court ultimately found that in the context of art. 7(5), 'acts which conflict with a normal exploitation of a database or which unreasonably prejudice the legitimate interests of the maker of the database' refer to unauthorised acts of extraction or reutilisation the cumulative effect of which is to reconstitute and/or to make available to the public, without the authorisation of the maker, the whole or a substantial part of that database and thereby seriously prejudice the investment by the maker.⁵⁷¹

⁵⁶⁹ Bensinger 1999, pp. 212 and 214 observes that the right in art. 7(5) is part of the *sui generis* right, which the Directive formulated as an absolute right. Therefore, she believes it is extraordinary that the right in art. 7(5) is made subject to a weighing of the unlawfulness of a taking, which is customary in competition law. If this article would indeed be a provision concerning unfair competition, countries outside the EU would also profit from it on the basis of the national treatment principle in art. 2 of the Paris Convention for the Protection of Industrial Property. She argues that this was certainly not the purpose of the Directive.

⁵⁷⁰ The references in this case followed the decision in *British Horseracing Board Limited and others v. William Hill Organization Limited* [2001] *RPC* 31, [2001] *EWHC* 516 (Pat). On this occasion, the BHB had argued that its operations would be undermined when the use of its database's information would be allowed without payment, while it would also undermine the value of its licences. Assessing art. 7(5), Mr Justice Laddie considered that it might be impossible to precisely define what amounts to normal exploitation or unreasonable prejudice to legitimate interests. Nevertheless, he accepted the arguments of the BHB that the defendant's activities undermined the exploitation of its database and concluded that William Hill was in breach of the right in art. 7(5).

⁵⁷¹ European Court of Justice 9 November 2004, Case C-203/02 (*British Horseracing Board Ltd v. William Hill Organization Ltd*), considerations 89 and 95.

The European Court also decided that there was no infringement of art. 7(5) in the case at issue as William Hill's daily takings from the BHB database only concerned the horseracing data for that day. According to the Court, there was 'no possibility that, through the cumulative effect of its acts, William Hill might reconstitute and make available to the public the whole or a substantial part of the contents of the BHB database and thereby seriously prejudice the investment made by the BHB in the creation of that database'.⁵⁷² Although it is uncertain, it might perhaps be derived from the ending that the required harm must relate to the initial production investment by the producer, and not to the expected profits, as well.

4.6.4 A comparison with the three-step test from copyright law

Given that the Directive itself and the European Court of Justice do not (yet) provide clarity as to the correct interpretation of the two-step test, clues may perhaps be derived from the three-step test known from international treaties on copyright and related rights and the European Copyright Directive.⁵⁷³ Here, the three-step test is imposed for assessing the permissibility of specific copyright exceptions; they may only be applied 1) in certain special cases which 2) do not conflict with a normal exploitation of the work, and 3) do not unreasonably prejudice the legitimate interests of the right holder.

In the context of art. 9(2) of the Berne Convention (BC), Ricketson defines 'normal exploitation' as the ways in which an author might reasonably be expected to exploit his work in the normal course of events.⁵⁷⁴ Analogous to art. 9(2) BC is art. 13 of the TRIPS Agreement. The Dispute Settlement Body of the World Trade Organisation established that the term 'normal exploitation' in art. 13 also covers future technological and market developments.⁵⁷⁵ The term takes into account forms of exploitation which currently generate significant or tangible revenue, as well as forms of exploitation which, with a certain degree of likelihood and plausibility, could acquire considerable economic or practical importance.⁵⁷⁶ According to the WTO Dispute Settlement Body,

⁵⁷² Consideration 91.

⁵⁷³ Art. 9(2) BC, art. 13 TRIPS, art. 10 WIPO Copyright Treaty, art. 16(2) WIPO Performances and Phonograms Treaty, and art. 5(5) Copyright Directive. See Senftleben 2004.

⁵⁷⁴ Ricketson 1997, p. 483.

⁵⁷⁵ WTO Panel Report of 15 June 2000 (document WT/DS160/R), adopted by the Dispute Settlement Body on 27 July 2000 (hereafter: WTO Panel Report), on the Internet at <<http://www.wto.org>>. This report concerns a dispute on the compliance of an American copyright exception with art. 13. See Hugenholtz 2000 on this report. Also see Senftleben 2006.

⁵⁷⁶ WTO Panel Report, nos. 6.178 and 6.180. Similarly, it was found in a Dutch decision that 'normal exploitation' under the Copyright Directive includes an exploitation which is in an initial, developing phase but has growing economic importance. The case concerned a digital cutting service to be provided by newspaper publishers against payment, which allegedly was thwarted by Dutch ministries making available newspaper cuttings within

a copyright exception conflicts with a normal exploitation of a work if uses enter into economic competition with the ways in which right holders normally extract economic value from that right to the work and thereby deprive them of significant or tangible commercial gains.⁵⁷⁷ In a database context, this would mean that the use of a database by other parties would only conflict with the database's normal exploitation if that use affects forms of exploitation by which considerable profits are gained or are expected to be gained, so that such use thus 'enters into competition' with those forms of exploitation.⁵⁷⁸ This may perhaps seem difficult to reconcile with the Database Directive given that the *sui generis* right cannot only be invoked against competitors, but also against end-users.⁵⁷⁹ On the other hand, recital 42 similarly requires that *significant* detriment, evaluated qualitatively or quantitatively, is done to the producer's investment, while the European Court in the context of art. 7(5) requires *serious* prejudice.

The criterion of 'unreasonable prejudice to the legitimate interests' of the right holder is concerned with the balance between the interests of right holders and users, according to Senftleben.⁵⁸⁰ The legitimate interests of a database producer refer to his economic interests in exploiting the *sui generis* right, which covers any conceivable possibility of deriving economic value.⁵⁸¹

their closed computer networks without licences from the publishers. The court applied the three-step test to the Dutch copyright exception for news purposes and decided that this exception could not be successfully invoked by the ministries in this case. District Court The Hague 2 March 2005 (Dagbladen v. Staat der Nederlanden), CR 2005/3, p. 143 note K. Koelman; AMI 2005/3, p. 103 note J. Seignette. This judgment drew criticism as it is disputed in the Netherlands whether the three-step test in the Copyright Directive is merely addressed to the national legislator or indeed to the courts.

⁵⁷⁷ WTO Panel Report, no. 6.183. As Senftleben 2006, p. 426 remarks, the Dispute Settlement Body seems to consider insignificant actual and less promising sources of income irrelevant. Senftleben 2004, p. 194 concludes that in international copyright law, a conflict with a normal exploitation arises when a right holder is deprived of an actual or potential, typical major source of royalty revenue that carries weight within the overall commercialisation of works of the relevant category.

⁵⁷⁸ It is uncertain whether this also requires a competitive relationship. This requirement seems included in several U.S. bills on database protection. They set the following conditions on an infringement or misappropriation: selling or distributing a duplicate of a database in commerce in competition with that other database (H.R. 1858 of 1999); making available in commerce an equivalent product (H.R. 3261 of 2003); use of information in direct competition with the first product (H.R. 3872 of 2004).

⁵⁷⁹ As we remarked above, the Explanatory Memorandum to the Directive's First Proposal mentioned substitution as an example harming the producer's normal exploitation of his database. Leistner 2000, p. 174 argues that substitution cannot only occur with the production of a competing product, but also when the part substitutes for the whole database in the case of specific private users. We believe an example might perhaps be a situation where a small group of people download a part of a database (e.g. researchers requiring only a specific database part), so that they do no longer have to access and search the whole database.

⁵⁸⁰ Senftleben 2004, p. 216.

⁵⁸¹ Compare Senftleben 2004, p. 273.

In the context of art. 13 TRIPS, the Dispute Settlement Body established that causing a certain amount of prejudice is not unreasonable, thus avoiding a very low threshold.⁵⁸²

It is uncertain whether the above interpretations upheld for copyright law's three-step test are fit for analogous application to the *sui generis* right. Art. 9(2) BC and art. 13 TRIPS contain a cumulative criterion, whereas the Directive contains an alternative criterion. This logically follows from the fact that their field of application is different; the three-step test is applied to assess the permissibility of copyright exceptions,⁵⁸³ whereas the Directive's two-step test should be applied by the courts to judge whether certain acts infringe the *sui generis* right.⁵⁸⁴ One might thus perhaps be comparing apples and oranges.

Another important question is whether harm should actually have manifested itself under the Database Directive, or whether the potential threat of harm is enough. The Directive does not explicitly speak out on this. From the text of recital 42 and arts. 7(5) and 8(2) it could be deduced *a contrario* that the harm must already have taken place, given that the mere possibility of potential harm is not mentioned. Vogel is a supporter of this approach,⁵⁸⁵ together with Van Eechoud,⁵⁸⁶ Aalberts and Schellekens,⁵⁸⁷ whereas Leistner supports the opposite.⁵⁸⁸ Case law is divided on the matter.⁵⁸⁹ The WTO Dispute Settlement Body found that future technological and market developments must also be taken into account when judging a normal exploitation. The European Commission held on the same occasion that it is sufficient to demonstrate the potentiality to prejudice, so that it is not necessary to quantify the actual financial losses suffered by the right holders concerned.⁵⁹⁰ Eventually, the European Court of Justice should bring clarity on this matter where the two-step test in the Database Directive is concerned.

582 WTO Panel Report, no. 6.229.

583 Whether the test should be applied by the national legislators or by the courts is uncertain. Also see footnote 576.

584 These differences resulted in Advocate General Stix-Hackl arguing that the interpretation of the rules of international law in art. 9(2) BC and art. 13 TRIPS cannot be transferred to the Directive. See her conclusion of 8 June 2004 delivered in case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), paras. 115-120.

585 Vogel in Schricker 1999, p. 1344 no. 9 and p. 1349 no. 23.

586 Van Eechoud in her annotation on President District Court The Hague 12 September 2000 (NVM v. De Telegraaf), *Mediaforum* 2000/11-12, p. 398.

587 In their annotation on President District Court The Hague 14 January 2000 (KPN v. XSO), CR 2000/3, p. 158, they found it remarkable that the systematic taking of insubstantial parts was found at issue, whereas neither such systematic taking nor damage was actually established.

588 Leistner 2000, p. 173.

589 See the case law referred to in section 4.6.5.

590 WTO Panel Report of 15 June 2000 (document WT/DS160/R), no. 6.221.

4.6.5 National case law on article 7(5) in relation to intermediaries

Case law dating before the BHB decision of the European Court of Justice differs as to whether an intermediary which allegedly uses insubstantial parts systematically from an online database infringes the two-step test in art. 7(5) by enabling users to get around advertisements on the database's web site. The exploitation of online databases is in many cases financed through selling advertisement space on their web sites and this could thus be considered a normal exploitation. The advertisements are often put on the home page because a visitor usually gets to see this page first. Intermediaries such as *i-telgids* and *El Cheapo*, however, present data from another party's database in such a way that users do not access the home page of the database's web site and thus do not take notice of the advertisements put there. A diminishing of hits by individual users will make the database's web site less attractive for advertisers. Intermediaries which may thus cause a drop in the advertisement income of a database producer sometimes have been held to conflict with the database's exploitation under art. 7(5).⁵⁹¹

On the other hand, in cases on deep linking to online newspapers, courts have considered that the alleged damage – if any, since actual damage was not demonstrated⁵⁹² – was due to the newspaper producers' own doings given that they did not put the advertisements on the pages the deep links referred to, or use the possibility to block deep linking.⁵⁹³ Among the courts expressing this pragmatic view is the German Supreme Court.

591 In the Dutch *i-telgids* case, a possible loss of advertisement income in the future was judged sufficient for this. See President District Court The Hague 29 June 1999 (KPN v. XSO), *Mediaforum* 2000/2, p. 64 note P.B. Hugenholtz; *IER* 2000/2, p. 72 note F. Grosheide; *Informatierecht/AMI* 2000/4, p. 71, note A. Beunen p. 58; *CR* 2000/3, p. 154 note B. Aalberts and M. Schellekens. In the German case of Landgericht Berlin 8 October 1998, *CuR* 1999/6, p. 388, the imminent danger of substitution of the original database, related to the (expected) loss of advertisement income, was considered sufficient proof of the required harm. In another German case, Landgericht Cologne 2 December 1998, *CuR* 1999/9, p. 593 note J. Obermüller, the danger of substitution and the commercial purpose of the search engine – its producer was planning to generate income through advertisements on the engine's web site – was judged sufficient. Actual damage was not demonstrated in these three cases.

592 These courts required the demonstration of harm already suffered, as opposed to those in the preceding footnote.

593 The Dutch case of President District Court Rotterdam 22 August 2000 (*Dagbladen v. Eureka*), *IER* 2000/5, p. 268 note E. Arkenbout; *CR* 2000/5, p. 259 note H. Struik; *Informatierecht/AMI* 2000/10, p. 57 note K. Koelman; *Mediaforum* 2000/10, p. 344 note T. Overdijk (on the web site *Kranten.com* which showed a list of deep links to articles on newspaper web sites). The German cases of Landgericht Munich 1 March 2002, *CuR* 2002/6, p. 452 (on an e-mail service which mailed lists of deep links to newspaper articles), and German Supreme Court 17 July 2003 (*Handelsblatt v. Paperboy*), I ZR 259/00; *JAVI* 2003, p. 222 note R. Chavannes and W. Steenbruggen (on a search engine presenting deep links to and short information on articles located on a newspaper web site).

As mentioned in section 4.6.3, the European Court of Justice in its 2004 BHB decision ruled that art. 7(5) is met when a party, through the cumulative effect of its acts, reconstitutes and/or makes available to the public the whole or a substantial part of another party's database and thereby seriously prejudices the investment by the database maker. Arguably, it is not easy to prove that intermediaries such as search engines or computer programs like *i-telgids*, or e-mail services or web sites like *Kranten.com* are produced with this purpose. Serious harm to the producer's investment may not easily be demonstrated, either. Moreover, it may well be argued for intermediaries such as search engines that it is not these that act and thus infringe, but their users.⁵⁹⁴

4.6.6 The *sui generis* right versus unfair competition

The tenet of unfair competition may sometimes provide for a residual form of protection. In the European countries which apply an unfair competition regime – whether written or unwritten – harming another party's interests by profiting from the investments he made in his database is in itself not unlawful.⁵⁹⁵ However, this may be different when additional circumstances such as the causing of confusion between databases or profiting from another party's reputation are at issue. This raises the question of whether, or to what extent, the *sui generis* right may have replaced the action for unfair competition.

In France, several courts have struggled with this question. After the French transposition had taken effect, claimants sometimes omitted to invoke the *sui generis* right in cases where this claim could well have been successful.⁵⁹⁶ Nevertheless, all won their cases on the grounds of unfair competition,⁵⁹⁷

⁵⁹⁴ Also compare Overdijk in his annotation on President District Court Arnhem 16 March 2006 (Makelaars en NVM v. Zoekalhuizen.nl), *Mediaforum* 2006/4, p. 118. Nevertheless, intermediaries may under specific circumstances be liable for their users' infringements, as discussed in section 4.4.5.

⁵⁹⁵ See for the Netherlands De Vrey 2006, pp. 79-80, and for France Passa 1997 and Lucas/Lucas 2001, pp. 19-24, no. 18. In the Netherlands and France, the courts apply an unwritten regime of unfair competition which is based upon the general rule of tort laid down in the civil code. In the United Kingdom, an unfair competition regime is absent but, instead, the courts apply several forms of tort. Compare De Vrey 2006, pp. 79-80, 203-207.

⁵⁹⁶ TGI Lyon 28 December 1998 (Editions Législatives v. Le Serveur Administratif, Thierry Ehrmann and others), *RIDA* 1999/181, p. 325 with short comments by Kéréver at pp. 257-259. Tribunal de commerce Paris 26 December 2000 (Havas et Cadre On Line v. Keljob), *Propriétés Intellectuelles* 2001/1, p. 92 note J. Passa. TGI Paris 13 February 2001 (S.N.C. Prisma Presse et E.U.R.L. Femme v. Monsieur Charles V.), on the Internet: www.juriscom.net. TGI Marseille 23 February 2001 (Sarl Stratégies Networks v. Sté Net Fly), confirmed by CA Aix-en-Provence 17 April 2002 (Maître J.-L.H. v. Sarl Stratégies Networks et Sté Net Fly), *Propriétés Intellectuelles* 2002/5, pp. 105-106 note J. Passa. Tribunal de commerce Paris 18 June 2003 (Sté Dreamnex v. Sarl Kaligona), on the Internet: www.legalis.net.

⁵⁹⁷ With the exception of the 2003 case of Sté Dreamnex v. Sarl Kaligona, which was won on the basis of copyright.

called *concurrence déloyale* in French.⁵⁹⁸ Lucas/Lucas wonder whether a database producer may himself make a choice between both pleas, and remark that the Directive in any case does not seem to exclude this possibility.⁵⁹⁹ Passa disagrees and argues that the *sui generis* protection is subject to specific conditions, and that unfair competition, which provides an equivalent protection, cannot be invoked in its place.⁶⁰⁰ When a special law is applicable, there is no longer any room for applying general law since the public domain and the freedom of trade will apply instead. Passa also puts forward that rules of legal procedure forbid the substitution of special protection for a general law, and that a court should decide upon a database producer's claim for unfair competition as if he merely had invoked the *sui generis* right. He is of the opinion that the *sui generis* right has usurped the unfair competition regime and that, on principle, a claim for unfair competition should be awarded neither cumulatively nor subsidiarily to the *sui generis* right.⁶⁰¹

Several authors argue that the rationale of the tenet of unfair competition is similar to that of the *sui generis* right in that both tackle unfairly profiting from another person's investments.⁶⁰² Although this may be true, we believe that they do not provide equivalent protection because, for example, the tenet of unfair competition protects against harm done to a producer's reputation, whereas the *sui generis* right merely protects against harm inflicted upon the investments made in the database's production. Interestingly, in many French database cases, the claimants advanced both pleas. In such cases where the *sui generis* right claim was awarded, the courts often required facts *different* from the act infringing the *sui generis* right in order for the plea of unfair competition to succeed, as well.⁶⁰³ Consequences of the infringing act such

598 Derclaye 2005, p. 25 mentions that French commentators believe there is a risk that courts will use unfair competition principles in determining the substantiality of an investment and she warns against this.

599 Lucas/Lucas 2001, p. 636, no. 817-2.

600 In his comments on several database cases in *Propriétés Intellectuelles* 2001/1, p. 94.

601 Gaudrat 1999-I, p. 89 similarly argues that the *sui generis* right was created to replace an action for unfair competition.

602 Compare Goldstein, who calls the *sui generis* right the legal consecration of the action for *concurrence déloyale* in his annotation on Tribunal de commerce Paris 18 June 1999 (SA France Télécom v. Sarl MA Editions et la SA Fermic devenue Iliad), *D.* 2000/5, jur., p. 105. Passa in her comments on several database cases in *Propriétés Intellectuelles* 2002/5, pp. 105-106 argues that the *sui generis* right and *concurrence déloyale* provide an equivalent protection. In the same sense Gaudrat 1999-I, p. 89.

603 For example, see TGI Paris 31 January 2001 (Miller Freeman (devenue Reed Expositions France) et SA Safi v. Sarl Neptune Verlag), TGI Paris 5 September 2001 (SA Cadremploi v. SA Keljob et Sté Télécommunications France), and TGI Paris 14 November 2001 (SA Les Editions Néressis v. SA France Télécom Multimédia Services), on the Internet: www.legalis.net. The same principle was upheld in a German case on a search engine Landgericht Munich 1 March 2002, *CuR* 2002/6, p. 452. However, both claims were awarded with regard to the same act in the cases of Tribunal de commerce Nanterre 16 May 2000

as a drop in the number of web site visitors were not deemed distinct facts.⁶⁰⁴ Other side-effects could arguably qualify as such; we agree with the Belgian author Puttemans who argues for the possibility to invoke unfair competition against accompanying aspects of an extraction or a reutilisation, such as denigration or false publicity.⁶⁰⁵

To conclude, French case law shows that the claims for *sui generis* right and unfair competition may both be awarded on the condition that they concern different facts, and also that a (subsidiary) claim for unfair competition may still be successful when a claim for *sui generis* right fails.⁶⁰⁶ This is an approach which we support, because the usurpation of the unfair competition regime by the *sui generis* right in our view only holds true in so far as both provide the same scope of protection. Unlike Passa, but like Lucas/Lucas,⁶⁰⁷ we believe that a claim for unfair competition is still available for databases where a claim for protection by the *sui generis* right would not be successful. Indeed, acts which do not infringe the *sui generis* right may still be unlawful

(SA PR Line v. SA Communication & Sales et Sarl News Invest), and TGI Strasbourg 22 July 2003 (Jataka, Pierre M. v. EIP, Patrick G.), on the Internet: www.legalis.net.

⁶⁰⁴ Also see Puttemans 2000, p. 445 no. 288.

⁶⁰⁵ Puttemans 2000, p. 445 no. 288.

⁶⁰⁶ An example of a successful subsidiary claim is in TGI Caen 15 September 2005 (Itac v. Equipmedical, Jacques L.), on the Internet: www.legalis.net. The court found that the *sui generis* right was not infringed as the extractions were not substantial, but they were still considered parasitic acts. A correct approach was also followed in our view in CA Paris 18 June 2003 (Credinfor v. Artprice.com), on the Internet: www.legalis.net. Here, the appeal court dismissed the claim for *concurrence déloyale* because it was merely subsidiary in case the first claim of *sui generis* right infringement would not be successful, which it was in this case. In two Dutch cases on search engines, where the courts found that the databases at issue were not protected by the *sui generis* right, the subsidiary pleas for unfair competition through unlawfully profiting from the database producer's investments were dismissed, as well. According to the courts, the search engines did not mislead their users as to the source of the information they presented, nor did they harm the reputation of the database producers. See Court of Appeal The Hague 21 December 2000 (De Telegraaf v. NVM), *Mediaforum* 2001/2, p. 87 note M. van Eechoud; CR 2001/2, p. 89 note H. Struik; *Informatierecht/AMI* 2001/3, p. 70 note H. Cohen Jehoram. President District Court Arnhem 16 maart 2006 (Makelaars en NVM v. Zoekallehuizen.nl), *AMI* 2006/3, p. 93 note Chr. Alberdingk Thijm; *Mediaforum* 2006/4, p. 114 note T. Overdijk, and Court of Appeal Arnhem 4 July 2006 (Makelaars en NVM v. Zoekallehuizen.nl), *Mediaforum* 2007/1, p. 21 note B. Beuving.

⁶⁰⁷ Lucas/Lucas 2001, p. 636, no. 817-2. In their view, the reasoning that the *sui generis* right has replaced *concurrence déloyale* does not square with the broad scope generally given to the French theory of *agissements parasitaires* (parasitic acts), which is deemed applicable when no other protection is available. This theory of *agissements parasitaires* is a form of *concurrence déloyale* which has less severe requirements, for example, no competitor relationship and no confusion is required. The leniency of this theory is much disputed, for example by Lucas/Lucas 2001, p. 23, no. 18 and Pollaud-Dulian in his annotation on CA Paris 12 September 2001 (Sté Tigest v. Sté Reed Expositions France, Sté Salons français et internationaux Safi), *JCP* 2002.II.10000.

under the doctrine of unfair competition. Furthermore, the unfair competition regime has no restricted term of protection so that it may still be invoked after the *sui generis* protection of fifteen years has expired. Moreover, databases have been protected by unfair competition before the Directive was adopted and the Directive states in art. 13 that its regime is without prejudice to, among other things, unfair competition law. In our view, where no special protection is available (anymore), one should be able to invoke the general rule.

4.7 THE EXCEPTIONS TO THE *SUI GENERIS* RIGHT

4.7.1 Introduction

Only three exceptions may be introduced for the *sui generis* right according to article 9 of the Directive. They largely resemble the copyright exceptions in article 6. They concern private purposes but only regarding non-electronic databases, illustration for non-commercial teaching or scientific research, and purposes of public security or administrative or judicial procedures. The first two exceptions merely apply to the extraction right, while the third covers the reutilisation right, as well. In accordance with all three, a lawful user may use a substantial part of a database provided that this database has been made available to the public. The exceptions do not permit the reuse of a whole database.

As for insubstantial parts, art. 8(1) stipulates, on a compulsory basis, that a database producer may not prevent a lawful user from extracting and/or reutilising such parts for any purpose.⁶⁰⁸ Although it is addressed to the producer and not placed in art. 9, this provision may perhaps be considered an exception, as well.⁶⁰⁹ Still, four exceptions to the *sui generis* right are less than the amount of copyright exceptions permitted for databases. Indeed, apart from the four listed in art. 6, the copyright exceptions already existing in national law may also be maintained.⁶¹⁰ Given that the *sui generis* right is comparable in scope to copyright, its fewer exceptions may be questionable.⁶¹¹

608 This provision was implemented in art. 3 of the Dutch Databases Act, art. L. 342-3 paragraph 1 of the French CPI and reg. 19 of the British CRDR.

609 According to Gaster 1999, p. 144 no. 580, art. 8(1) is equivalent to the copyright exception in art. 6(1). However, they show several differences as was shown in section 1.5.8.2, where we argued for the introduction of a real parallel to art. 6(1) for the *sui generis* right.

610 In accordance with art. 6(2)(d). Yet, art. 6(3) requires that they meet the three-step test from the Berne Convention.

611 See sections 4.7.7 and 6.4.2.

4.7.2 The concept of the lawful user

The exceptions to the *sui generis* right can only be invoked by a 'lawful user'. Remarkably, in the context of copyright, the Directive requires a lawful user merely for the exception permitting access and normal use of a database.⁶¹² The Directive's articles themselves do not explain the term 'lawful user'. Yet, recital 34 seems to support a strict interpretation of the term.⁶¹³ It reads:

(...) once the rightholder has chosen to make available a copy of the database to a user, whether by an on-line service or by other means of distribution, that lawful user must be able to access and use the database for the purposes and in the way set out in the agreement with the rightholder, even if such access and use necessitate performance of otherwise restricted acts.

This text suggests that the use of a database cannot be lawful unless the user has entered into a licence agreement with the right holder.⁶¹⁴ To put it in other words; acts which normally infringe copyright may be performed, provided that they are necessary for accessing and using the database in accordance with the contractual provisions. Gaster accordingly derives from recital 34 that the lawfulness of the use must follow from a contract.⁶¹⁵ Gaster's view is too restricted in the opinion of Verkade and Visser. They argue that persons who have not concluded a contract with the database producer

612 The Directive uses the term in art. 6(1) on copyright, and arts. 8 and 9 on the *sui generis* right.

613 The Explanatory Memorandum to the Directive's First Proposal, p. 52 para. 8.4 seems less strict in defining a lawful user as 'a person having acquired a right to use the database'. This definition may seem related to the term 'lawful acquirer' used in the Computer Programs Directive. In art. 5 of this directive, which contains the exceptions to copyright, the terms 'lawful acquirer' and 'lawful user' appear to have been used as synonyms. No definitions are provided in this directive; its recital 18 merely speaks of 'a copy of a program which has been lawfully acquired' and recitals 19 and 22 of 'a person having a right to use a computer program'.

614 Yet, art. 6 in the Directive's First Proposal (art. 7 in the Amended Proposal) suggested otherwise concerning copyright:

'1. The lawful user of a database may perform any of the acts listed in Article 5 which is necessary in order to use that database in the manner determined by contractual arrangements with the rightholder.

2. In the absence of any contractual arrangements between the rightholder and the user of a database in respect of its use, the performance by the lawful acquirer of any of the acts listed in Article 5 which is necessary in order to gain access to the contents of the database and use thereof shall not require the authorization of the rightholder.'

The accompanying recital 25 stated: 'Whereas if the user and the rightholder have not concluded an agreement regulating the use which may be made of the database, the lawful user should be presumed to be able to perform any of the restricted acts which are necessary for access to and use of the database'. Both the article and the recital were deleted from the final Directive.

615 Gaster 1999, p. 96 no. 356.

themselves, but for whose benefit a contract was concluded by another party, are lawful users as well.⁶¹⁶

Gaster's strict interpretation requiring a contract evokes the question of what applies where a contract forbids acts which are permitted by the exceptions, or where there is no contract. Following his strict interpretation, licence agreements would seem to be able to override the copyright and *sui generis* right exceptions. However, art. 15 in the Directive explicitly states that arts. 6(1) and 8 have obligatory force and cannot be overridden by contract.⁶¹⁷ Its purpose is thus clearly to secure minimum user rights. Indeed, the very essence of exceptions is to allow use without (contractual) authorisation. Therefore, we believe that a person who has not entered into a contract with the right holder but uses the database for the purposes described in the exceptions is a lawful user as well. Thus, we support Hugenholtz⁶¹⁸ and Frequin⁶¹⁹ who advocate that a user who can successfully invoke a legal exception to the *sui generis* right must also be considered a lawful user.⁶²⁰ The lawfulness of the use of a database can thus be based not only on a contract, but also on the law in case the contract is more restricted than the compulsory exceptions, or in case there is no contract at all. Otherwise it would, for example, not be allowed to use a database which was made available on the Internet without use conditions.

Moreover, this interpretation is in conformity with traditional copyright principles. According to these principles, a person who did not enter into a contract may nevertheless make lawful use of a work on the basis of the legal exceptions and even illegal copies may be legally used in this way.⁶²¹ No mention was previously made of the term 'lawful user' in the context of exceptions in the international copyright treaties⁶²² and the term is not

616 Verkade/Visser 1999, p. 15. They give the example of a campus licence, which may be concluded for university employees and users of the university library.

617 These articles do not mention that the presence of a contract is vital, either. Arts. 6(1) and 8(1) only presuppose some sort of authorisation in their last sentence, stating that both provisions only apply to a part of the database in the situation where a lawful user is authorised to use only a part of the database.

618 Hugenholtz 1998-II, p. 198.

619 Frequin 1999, p. 13.

620 The Belgian transposition provides evidence of this interpretation, defining a lawful user as a person performing acts of extraction and/or reutilisation in a way that is authorised by the right holder or permitted by law. See art. 2(4) of the Loi du 31 août 1998 transposant en droit belge la directive européenne du 11 mars 1996 concernant la protection juridique des bases de données, *Moniteur Belge* 14 novembre 1998. However, Vanovermeire 2000, pp. 78-79 argues that the Belgian preparatory documents show a different approach, requiring the lawful acquisition of a copy of a database.

621 Vanovermeire 2000, p. 66. She provides an overview of the interpretations of the lawful user concept.

622 Hugenholtz remarked that the term has no precedent in the Berne Convention, the TRIPS Agreement or the 1996 WIPO Treaties. See the Nauta Dutilh Report 2002, p. 482.

included in the exceptions in the Copyright Directive, either.⁶²³ Instead, recital 33 of the Copyright Directive states that a use should be considered lawful where it is authorised by the right holder or not restricted by law.⁶²⁴ This indeed corresponds to the approach advocated here for the *sui generis* right. Consequently, the adjective 'lawful' within the term 'lawful user' could in our view best be deleted from arts. 6(1) and 9 of the Database Directive altogether.⁶²⁵ We agree with Bensinger that art. 9 may be invoked by any user instead of only a lawful user.⁶²⁶

Interestingly, not every national transposition has adopted the term 'lawful user' in the provisions in which the Directive requires it.⁶²⁷ Especially as regards the exceptions to the *sui generis* right in art. 9, it has occasionally been omitted, for example, in France⁶²⁸ and (partly) in the United Kingdom.⁶²⁹ Moreover, where the transpositions of these countries do use the term, they define it in different ways. For instance, the French equivalent to art. 8(1) requires a person to have lawful access to a database.⁶³⁰ Hugenholtz argues that this seems to be a correct interpretation of the term lawful user, which in his opinion means use permitted by a contract or a legal exception.⁶³¹ On the other hand, the French equivalent of the copyright exception in art. 6(1) requires the existence of a contract between the user and the producer.⁶³² This criterion may well be narrower than the requirement of having lawful access to a database, whereas both mean to specify the Directive's term 'lawful user'. Gaudrat remarks that anyone who has free access to a web site has lawful access to it unless this requires the circumvention of technological protection measures.⁶³³ Lawful access would thus not require a use con-

623 The term was, however, used in the Computer Programs Directive, see footnote 613.

624 This recital explains the meaning of the term 'lawful use' in art. 5(1)(b) of the Copyright Directive.

625 This may also be recommended for arts. 8(2) and 8(3), as we argued in section 1.5.8.3. One could question this for art. 8(1), which forbids the producer from preventing a user to use insubstantial parts. This provision seems superfluous as the scope of the *sui generis* right does not cover such acts in the first place. Yet, the purpose of art. 8(1), according to Gaster 1999, p. 145 nos. 585 and 590, is to protect licensees from *contra legem* contractual extensions of the *sui generis* right by its right holder.

626 Bensinger 1999, p. 259.

627 In the Netherlands, the transposition does use the term in conformity with the Directive in its equivalents of arts. 6(1), 8(1), 8(2) and 9. The same is true for Italy, which adopted the term in its equivalents of arts. 6(1), 8(1) and 8(2). However, Italy did not adopt any of the *sui generis* right exceptions from art. 9.

628 France did not adopt the term in the first and third exception which it adopted from art. 9.

629 It did use the term in its equivalent of the teaching and research exception, but not in the exception for administrative or judicial procedures. The CRDR also uses the lawful user concept in the equivalents of arts. 6(1) and 8(1). Both the United Kingdom and France did not adopt the compulsory art. 8(2).

630 In French: 'la personne qui y a licitement accès' in art. L. 342-3 paragraph 1 CPI.

631 Hugenholtz 1998-II, p. 198.

632 Art. L. 122-5 paragraph 5 CPI. See section 3.4.3.2.

633 Gaudrat 1999-II, p. 412.

tract.⁶³⁴ The two different wordings by which the French legislator implemented the lawful user concept only create confusion.

In the British implementing legislation, the lawful user is defined within the context of the *sui generis* right as 'any person who (whether under a licence to do any of the acts restricted by any database right in the database or otherwise) has a right to use the database'.⁶³⁵ The wording 'or otherwise' seems to leave room for use made in accordance with the exceptions. Indeed, Brazell and Bull argue that a person who is able to invoke the exceptions also counts as a lawful user under the CRDR's definition.⁶³⁶ However, this is not entirely certain given that the British exception for teaching or research mentions that it applies to 'a person who is apart from this paragraph a lawful user'.⁶³⁷ Thus, the British definition of a lawful user does not provide clarity, either.

A lawful user according to the Explanatory Memorandum to the Dutch Databases Act is anyone who has a legally acquired copy of a database,⁶³⁸ anyone who is allowed to access an online database on the basis of a use contract, or anyone who uses an online database with the permission of the producer but without a formal contract.⁶³⁹ Moreover, as a result of the rule of exhaustion, persons who buy a copy of a database from the first acquirer are also lawful users according to the Explanatory Memorandum.⁶⁴⁰ However, the Memorandum expresses doubts as to what the rights of these third parties are, since the Directive does not give an explanation. The Explanatory Memorandum doubts that anything goes for these third parties, but acknowledges, on the other hand, that a third party is not bound by the use contract con-

634 Indeed, in a case where the taking of insubstantial parts was judged to be permitted on the basis of art. L. 342-3, no mention was made of a contract. See CA Versailles 11 April 2002 (Sarl News Invest v. SA PR Line), *RIDA* 2002/194, p. 247 note A. Kéréver.

635 Reg. 12(1) CRDR. In a copyright context, the definition replaces 'database right' with 'copyright', see reg. 9.

636 Brazell in Rees/Chalton 1998, p. 76; Bull 1998-II, p. 372. Bull regrets the presence of the open wording 'or otherwise' in the CRDR and advises to be as specific as possible in a licence agreement as to the uses covered.

637 Reg. 20(1)(a) CRDR.

638 The same was suggested by Chalton in Rees/Chalton 1998, p. 25, where he states that 'the concepts of a lawful acquirer and a lawful user appear to have been conflated in the Database Directive'. The same seems in our view to be the case for the Computer Programs Directive, see footnote 613.

639 Explanatory Memorandum to the Databases Act, Kamerstukken II 1997/98, 26 108, no. 3, p. 14.

640 Verkade/Visser 1999, p. 15 and Frequin 1999, p. 13 also express this view. A different situation was at issue in President District Court Arnhem 4 April 2003 (Interactive Telecom Solutions Ltd and others v. De Ruijter), *KG* 2003, no. 112. Here, the defendant had sold an illegal copy of the claimant's database containing client data, which the defendant had acquired without knowing that the copy was made without the claimant's authorisation. The judge held that the defendant was not a lawful acquirer of the database and had infringed the claimant's *sui generis* right.

cluded between the first acquirer and the database producer. It expects the European Court of Justice to clarify this problem.

Both the Directive and its transpositions thus give rise to different interpretations of the lawful user, which is undesirable. Moreover, the above-mentioned objections against the lawful user concept might well justify its deletion from the Directive's exceptions. Lawful use is arguably not limited to uses specifically allowed under a licence or use made by a lawful acquirer of a copy of a database, but also use made for the purposes described in the exceptions.

4.7.3 Private purposes

The Netherlands and France both adopted the exception for private purposes from art. 9(a). The Dutch Databases Act contains a literal translation.⁶⁴¹ In France, this exception is addressed to the producer; he may not prohibit the extraction for private purposes of a qualitatively or quantitatively substantial part of the contents of a non-electronic database.⁶⁴² Contrary to art. 9(a), the French provision omitted the term 'lawful user' so that anybody may profit from this private use exception.⁶⁴³ Yet, it requires that the private use complies with the copyrights or neighbouring rights in the materials incorporated in the database.⁶⁴⁴ As the provision is addressed to the producer, it could incorrectly imply that he may prohibit private use when the user does not observe this compliance. According to Gaudrat, private use implies that the extracted part is not made for the purpose of reutilising it; a person cannot invoke this exception if he intends to make the extraction available to the public.⁶⁴⁵ Another approach, however, is that such an extraction is still permitted under this exception, whereas the subsequent making available infringes the reutilisation right.

In the United Kingdom, the private use exception was not adopted. This was rejected for a reason which is not sound in our view. While referring to recital 35 of the Directive, the Consultative Paper remarked that this exception only applies to Member States which, unlike the United Kingdom, make provision for a reprographic levy.⁶⁴⁶ However, recital 35 only relates to

⁶⁴¹ Art. 5(a) Databases Act.

⁶⁴² Art. L. 342-3 paragraph 2 CPI.

⁶⁴³ We applaud this, see the preceding section.

⁶⁴⁴ This is a transposition of the compulsory art. 8(3) which is, however, not restricted to private use only.

⁶⁴⁵ Gaudrat 1999-II, p. 413. In a copyright context, a similar opinion is held by Seignette 2001, p. 32 concerning users sharing copyrighted music by means of Napster software. Others objected that the private use exception does permit copying, but that the copyright is nevertheless infringed by the subsequent making available of the music.

⁶⁴⁶ Consultative Paper, p. 15, no. 8.25 and p. 12, no. 8.12.

copyright; no Member State could already have made provision for a levy for the *sui generis* right because this new right was only introduced by the Directive. Therefore, we agree with Laddie/Prescott/Vitoria who hold that the United Kingdom did have the option to introduce a private use exception.⁶⁴⁷

4.7.4 Illustration for teaching or scientific research

Art. 9(b) permits extraction from a database for illustration for teaching or scientific research, provided that it is for a non-commercial purpose and the source is indicated. This exception has been implemented in the Netherlands and the United Kingdom. The Dutch Databases Act has literally copied art. 9(b).⁶⁴⁸ The British equivalent also closely follows it,⁶⁴⁹ but adds the term 'fair dealing' known from existing British copyright exceptions. Fair dealing implies a proportion test and this assessment is a question of fact and degree. In our view, the application of the fair dealing test is neither contrary to the copyright regime nor to the *sui generis* regime of the Directive.⁶⁵⁰ France traditionally lacked an exception for illustration for teaching and scientific research in its Copyright Act,⁶⁵¹ but has eventually introduced it in its transposition of the Copyright Directive in 2006.⁶⁵² On this occasion, France has also adopted a parallel exception for databases protected by the *sui generis* right,⁶⁵³ which will only take effect as from 1 January 2009.

Neither the Directive nor its Explanatory Memorandum explain what is meant by 'illustration for teaching'. It may perhaps imply that, for example, use for examination is not permitted. Illustration for teaching is also mentioned in art. 10(2) of the Berne Convention.⁶⁵⁴ According to Ricketson, the Berne Convention follows a restrictive interpretation of the word 'teaching'. It includes teaching at all levels in educational institutions and universities,

⁶⁴⁷ Laddie/Prescott/Vitoria 2000, p. 1081, para. 30.63.

⁶⁴⁸ Art. 5(b) Databases Act. Remarkably, no payment is due to the right holder, as opposed to its equivalent for copyright in art. 16 DCA. Moreover, art. 16 does not extend to scientific research, see section 3.4.3.4.

⁶⁴⁹ Reg. 20(1) CRDR.

⁶⁵⁰ See our arguments in section 3.4.3.3.

⁶⁵¹ Lucas 1998, p. 219 no. 438 and Lucas/Lucas 2001, p. 293, no. 348. Also see section 3.4.3.4.

⁶⁵² See section 3.4.3.4. This exception applies to copyrighted databases as well.

⁶⁵³ Loi no. 2006-961 du 1er août 2006 relative au droit d'auteur et aux droits voisins dans la société de l'information, *Journal Officiel de la République française* 2006, no. 178 du 3 août 2006, p. 11529, on the Internet at <<http://www.legifrance.gouv.fr>>. This exception to the *sui generis* right has been introduced in art. L. 342-3 paragraph 4 of the CPI.

⁶⁵⁴ This reads: 'It shall be a matter for legislation in the countries of the Union, and for special agreements existing or to be concluded between them, to permit the utilization, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such utilization is compatible with fair practice.'

municipal and State schools, and private schools, as well as correspondence courses and online courses⁶⁵⁵ which lack physical classroom instruction.⁶⁵⁶ Distance learning is also covered by the exception for illustration for teaching or research in the Copyright Directive.⁶⁵⁷ For reasons of legal certainty, the same scope is desirable for the equivalent exception in the Database Directive. For the same reason, we do not approve of its recital 51 which only for the *sui generis* right allows the Member States to limit the exception to certain categories of teaching or scientific research institutions. Instead, we argue for a broader scope for this exception also applying, for example, to non profit institutions such as museums, archives and libraries which offer offline or online teaching courses for use in schools or universities. Moreover, we believe that it is an omission of the Database Directive that its art. 9(b) only permits extraction, given that illustration for teaching necessarily implies reutilisation as well. Indeed, its copyright equivalent in art. 6(2)(b) allows any use. Moreover, the Copyright Directive similarly permits Member States to apply the teaching exception to the reproduction right, as well as to the right of communication to the public and the distribution right.

According to the Directive, 'scientific research' in the exception in art. 9(b) covers both the natural sciences and human sciences.⁶⁵⁸ It is irrelevant in our view whether the scientist carrying out the research is employed by a university or not, although the Directive is silent on this matter. The scientific research exception permits the extraction of a substantial part. The taking of individual data or insubstantial parts from a database does not require invoking art. 9(b), as this is not covered by the copyright or *sui generis* right in the database. However, arts. 7(5) and 8(2) draw boundaries in that a use may not conflict with a normal exploitation of the database or unreasonably prejudice the legitimate interests of its maker. Art. 7(5) especially has caused much concern within the scientific community. It is feared that the repeated extraction of insubstantial database parts, which is normal use among scientists, will become impossible, thus impeding the furtherance of science. An infringement will indeed be at issue when the extracted information substitutes for the database as a source in its own right for the same information.⁶⁵⁹ For example, a scientist who repeatedly extracts data from a database intending to ultimately dispose of a substantial part so that he no longer needs to turn to the database itself, will probably infringe art. 7(5).⁶⁶⁰ Successfully invoking the research exception requires extraction for a non-commercial purpose, but

655 For online learning, Ricketson 2003, p. 76 remarks that a remuneration for the copyright holder may be suitable to prevent unreasonable prejudice to his legitimate interests.

656 Ricketson 1987, p. 498 and Ricketson 2003, p. 15.

657 Art. 5(3)(a) and recital 42.

658 Recital 36.

659 In conformity with the Explanatory Memorandum to the Database Directive's First Proposal, p. 52 para. 8.4.

660 See this article's interpretation by the European Court of Justice in section 4.6.3.

it seems that art. 7(5) or 8(2) may still be infringed even then, given that the *sui generis* right cannot only be opposed to competing producers but to individual users as well.

As for the non-commercial purpose required by art. 9(b), Gaster states that an activity is commercial if it is directly or indirectly aimed at making a profit.⁶⁶¹ The Directive does not mention whether the non-commercial purpose must relate to the establishment organising the teaching or conducting the research, or to the specific activity at issue. Gaster argues that commercial research cannot profit from the exception, nor can commercial educational establishments.⁶⁶² The Copyright Directive seems to take a less strict approach in its recital 42:

When applying the exception or limitation for non-commercial educational and scientific research purposes, including distance learning, the non-commercial nature of the activity in question should be determined by that activity as such. The organisational structure and the means of funding of the establishment concerned are not the decisive factors in this respect.

Under this recital, teaching or scientific research carried out or funded by a commercial organisation may still profit from the exception, provided that they are of a non-commercial nature. For example, a commercial educational establishment can still provide for a non-commercial teaching course that may benefit from the exception. Research aimed at developing a market product cannot profit from the exception, but the opposite may be true for research which has no immediate commercial goal initially, but only at a later date; decisive is the purpose of the research at the time when the extraction was made.

For the sake of legal certainty, we believe that the teaching and research exceptions in the Copyright and Database Directive should preferably have the same scope and should be interpreted alike.

4.7.5 Public security or administrative or judicial procedures

The three countries we studied all adopted the exception from art. 9(c). The Netherlands did so literally,⁶⁶³ as opposed to the British transposition which did not adopt the part on public security purposes. The part on administrative or judicial procedures has been specified in Schedule 1 of the CRDR which

⁶⁶¹ Gaster 1999, p. 101 no. 382.

⁶⁶² Gaster 1999, p. 101 no. 382 and p. 102 nos. 386 and 387. As an example of commercial research, he mentions research which aims at developing a profitable gene therapy. In his opinion, art 9(b) does not allow free use of another party's genome database for this purpose.

⁶⁶³ Art. 5(c) Databases Act.

contains exceptions for public administration purposes.⁶⁶⁴ The schedule's provisions describe several permitted uses of databases in great detail.⁶⁶⁵ These are, however, not in conformity with the Directive because they permit the use of a whole database, whereas art. 9 only allows the use of substantial parts.

In France, art. 9(c) has been transposed in a provision which applies to all the rights in the first part of the CPI, being copyright, neighbouring rights and the *sui generis* right.⁶⁶⁶ This provision permits acts that are necessary for judicial or administrative procedures or public security. However, its ample wording leaves room for the extraction or reutilisation of whole databases. Thus, the French provision, like the British, may well be worded too broadly.

4.7.6 Other national exceptions either introduced or considered

4.7.6.1 *Databases produced by a public authority in the Netherlands*

Despite the fact that the Directive meant its exceptions to the *sui generis* right to be exhaustive, some countries have introduced others, or considered doing so. The Dutch Databases Act states in art. 8 that the *sui generis* right is not available for a public authority concerning databases which it produces itself and which contain laws and the like. Moreover, for other databases produced by a public authority, the *sui generis* right is only available in case this right is expressly reserved. Article 8 reads in its entirety:

1. The public authority shall not have the right referred to in Article 2, paragraph 1, with respect to databases of which it is the producer and for which the contents are formed by laws, orders and resolutions promulgated by it, legal decisions and administrative decisions.
2. The right, referred to in Article 2, paragraph 1 shall not apply to databases of which the public authority is the producer, unless the right is expressly reserved either in general by law, order or resolution or in a particular case as evidenced by a notification in the database itself or when the database is made available to the public.

The Explanatory Memorandum explained that this provision is a combination of art. 11 and art. 15b of the Dutch Copyright Act (DCA), and it was felt desir-

⁶⁶⁴ This schedule is a specification of reg. 20(2) CRDR.

⁶⁶⁵ It permits the use of a database for parliamentary or judicial proceedings, use for proceedings of a Royal Commission, use by the Crown, reutilisation of databases comprised in public records, and use authorised by Acts of Parliament. Schedule 1 of the CRDR is equivalent to ss. 45 to 50 of the CDPA.

⁶⁶⁶ See section 3.4.3.5 on this art. L 331-4 CPI in a copyright context.

able to introduce an equivalent for the *sui generis* right.⁶⁶⁷ Art. 11 DCA establishes that no copyright exists in laws, orders and resolutions promulgated by the public authorities, nor in legal decisions and administrative decisions. This provision is based on the Berne Convention, which expressly offers the signatory states the possibility to introduce such a provision in their copyright acts.⁶⁶⁸ Moreover, art. 15b DCA states that reproducing or making available works which were made available by or through the public authorities is not considered an infringement of copyright, unless the copyright is explicitly reserved.

Initially, art. 8(1) of the Databases Act had a different wording and excluded from the *sui generis* right laws, orders and resolutions promulgated by a public authority, legal decisions and administrative decisions.⁶⁶⁹ This text led to controversy over its redundancy next to art. 11 DCA. Several authors have rightly argued that an individual law cannot be considered a database and thus cannot qualify for the *sui generis* right.⁶⁷⁰ Indeed, one law – as opposed to a collection of laws – consists of several correlated provisions which cannot be considered independent elements. The Dutch legislator eventually changed the text of art. 8(1) as a result of the scholarly discussions on the outcome of the case *Vermande v. Bojkovski*, in which the judge took the initial text into account.⁶⁷¹ This case concerned a student who had uploaded on the Internet a CD-ROM with laws produced by the commercial publisher Vermande. It followed from this judgment that consolidating activities – incorporating revised provisions into an existing law, resulting in the complete text of the law currently in force – undertaken for law databases may well require a substantial investment.

Under the current art. 8(1), a public authority enjoys no *sui generis* right in law databases, whereas private publishers do. This change of text was differently received because at the time the implementing legislation was drawn up the Dutch public authority did not itself produce law databases at that time, but left this to commercial publishers. A few authors objected that since laws are free of copyright, databases containing them should be free

667 Explanatory Memorandum to the Databases Act, Kamerstukken II 1997/98, 26 108, no. 3, p. 19.

668 Art. 2(4) of the Berne Convention.

669 In conformity with the text which was presented to the Dutch Council of State.

670 Quaadvlieg 1998-I, p. 1564; the Minister of Justice in the Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 15; Dutch Databases Study Committee Report 1999, p. 20. The opposite view is held by Visser 1998-II, p. 1397 and Visser 1998-III, p. 1566.

671 President District Court The Hague 20 March 1998 (*Vermande v. Bojkovski*), CR 1998/3, p. 144 note J. Spoor; ER 1998/3, p. 111 note J. Kabel; BIE 1998, p. 390 note A. Quaadvlieg. Reeskamp 1998, p. 114 criticised the fact that the initial text of art. 8(1), which was still in an unofficial stage, was already taken into consideration by the judge. Moreover, confusion was caused because the parties presented different text versions of art. 8.

of the *sui generis* right, regardless of who produces these databases.⁶⁷² Others held that art. 11 DCA only addresses a public authority, which is correctly paralleled in art. 8(1).⁶⁷³ Private publishers who substantially invest in law databases, e.g. through consolidation activities, should be entitled to the *sui generis* right, which is in accordance with the Directive.⁶⁷⁴ Moreover, art. 11 DCA only excludes individual laws from copyright,⁶⁷⁵ whereas collections of laws are still eligible for copyright provided that they contain an original selection or arrangement.⁶⁷⁶ In our opinion, however, it is an omission that the Dutch legislator only excluded a public authority from the *sui generis* right on its law databases, but not from copyright and the *geschriftenbescherming* on them, as well.⁶⁷⁷ Art. 15b DCA does state that the use of works made by a public authority does not infringe copyright, but this is only true in case copyright is not expressly reserved. We believe that it would have been in the public interest to deny, on principle, a public authority any rights in databases containing laws and the like.⁶⁷⁸

672 Visser 1998-III, p. 1566; Bensinger 1999, p. 258.

673 Quaadvlieg 1998-I, p. 1564; Reinsma 1998, p. 1565.

674 Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 14; President District Court The Hague 20 March 1998 (Vermande v. Bojkovski), CR 1998/3, p. 144 note J. Spoor; IER 1998/3, p. 111 note J. Kabel; BIE 1998, p. 390 note A. Quaadvlieg; Quaadvlieg 1998-I, p. 1564; Frequin 1999, p. 15. Gaster stresses that the exception for the public authority may not be extended to private publishers, see his annotation on an Austrian judgment in CuR 2002/8, p. 603.

675 The Dutch Minister of Justice stated that art. 11 only applies to laws in unconsolidated form, as this is the form in which the government publishes them in the official *Staatsblad* (Bulletin of Acts and Decrees). The Minister argued that art. 11 does not apply to the consolidated laws published by private publishers, but that they still do not own copyright in these laws as consolidation is not a creative activity. See the Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, pp. 13-14. However, we agree with Spoor/Verkade/Visser 2005, para. 3.58 p. 138 that art. 11 covers laws in both unconsolidated and consolidated form. Elferink 1998, p. 190 observed that the same stand was implicitly taken in President District Court The Hague 20 March 1998 (Vermande v. Bojkovski), CR 1998/3, p. 144 note J. Spoor (who remarks that it is unclear whether art. 11 covers unconsolidated or consolidated law texts); IER 1998/3, p. 111 note J. Kabel (stating that art. 11 only applies to unconsolidated laws); BIE 1998, p. 390 note A. Quaadvlieg.

676 Explanatory Memorandum to the Databases Act, Kamerstukken II 1997/98, 26 108, no. 3, p. 20; Quaadvlieg 1998, p. 1564; Dutch Databases Study Committee Report 1999, p. 20; Spoor/Verkade/Visser 2005, para. 3.57 p. 136. Moreover, Spoor and Quaadvlieg argue that when law databases do not meet the originality criterion, they still qualify for the *geschriftenbescherming*. See their annotations on President District Court The Hague 20 March 1998 (Vermande v. Bojkovski) in CR 1998/3, p. 147 and BIE 1998, p. 394 respectively. At present, the Dutch *geschriftenbescherming* is still available for non-original databases which do not represent a substantial investment, see section 3.2.2.

677 Gaster 1999, p. 151 no. 614 accordingly advocates applying such an exception to both copyright and the *sui generis* right.

678 This would not only serve the interests in access to public documents, but the public authority moreover produces these databases with public money so that it is arguably only fair that they may be used free of rights.

France has a different way of ensuring access to legal databases made by a public authority. A 2002 decree imposes a legal duty on the French government to produce databases containing (inter)national legislation and case law and to make them available on the Internet, and to license their contents merely against distribution costs.⁶⁷⁹ This decree seems to serve the public interest still better than the Dutch provision, as it also puts the French government under a legal duty to actually produce such online databases. On the other hand, these legal databases do enjoy protection by the *sui generis* right so that a licence is required to use substantial parts,⁶⁸⁰ unlike such databases made by a Dutch public authority.

Both art. 8 of the Dutch Databases Act and the French decree are regulations which serve the public interest in that they ensure access to public documents.⁶⁸¹ Since the Database Directive states in art. 13 that it is without prejudice to provisions with this goal, Member States are permitted to adopt such regulations. Indeed, Gaster remarks that the access to public documents was included in art. 13 to complement art. 9 because the latter does not explicitly provide for an exception for databases made by governmental bodies.⁶⁸² He suggests that countries which have a copyright exception for works made by public authorities may introduce this also for databases made by these authorities.⁶⁸³ He moreover argues that this exception should apply both to the *sui generis* right and copyright in databases for reasons of uniformity between the two regimes.⁶⁸⁴ Remarkably, only the Netherlands and Luxembourg are known to have adopted such an exception in their transpositions,⁶⁸⁵ although the copyright acts of most Member States contain a provision which excludes laws and the like from copyright. We agree with Bensinger⁶⁸⁶ that the admissibility of an equivalent exception for databases

679 Décret no. 2002-1064 du 7 août 2002 relatif au service public de la diffusion du droit par l'internet, *Journal Officiel de la République française* 2002, no. 185 du 9 août 2002, p. 13655, on the Internet at <<http://www.legifrance.gouv.fr>>. Also see section 5.3.2.2c.

680 In France, it is accepted (although not laid down in legislation) that no copyright can be invoked for legal texts and judgments, see Lucas/Lucas 2001, pp. 100-101, no. 106.

681 Explanatory Memorandum to the Databases Act, Kamerstukken II 1997/98, 26 108, no. 3, p. 19. This view was not supported for art. 11 DCA in President District Court The Hague 20 March 1998 (Vermande v. Bojkovski), CR 1998/3, p. 144 note J. Spoor; IER 1998/3, p. 111 note J. Kabel; BIE 1998, p. 390 note A. Quaadvlieg (who also rejected this view). Moreover, it was rejected by Frequin 1999, p. 15.

682 Gaster 1999, p. 177 no. 730.

683 Gaster 1999, p. 150 no. 611. Also see Bensinger 1999, p. 259 who propagates a similar provision for the Scandinavian Member States.

684 Gaster 1999, p. 151 no. 614. Interestingly, the WIPO Draft Database Treaty in art. 5(2) also leaves the national legislators free to determine the protection granted to databases made by governmental entities or their agents or employees.

685 According to Gaster 2000-II, p. 92 and his annotation on an Austrian judgment, CuR 2002/8, p. 603. Yet, there may be countries like France which already had special laws regulating this matter.

686 The same is argued by Bensinger 1999, p. 259.

should preferably have been made clear in the Directive by expressly including such an exception in arts. 6 and 9.

4.7.6.2 Recital 52 and offering for on-the-spot reference use in the Netherlands

In the Dutch literature, attention was drawn to the Directive's recital 52 stating that Member States which have specific rules providing for a right comparable to the *sui generis* right should be permitted to retain the exceptions traditionally recognised by such rules. Several authors have argued that the Dutch *geschriftenbescherming*⁶⁸⁷ provides a protection comparable to the *sui generis* right.⁶⁸⁸ As the *geschriftenbescherming* is a form of copyright, the Netherlands would consequently have the opportunity to introduce exceptions known from the Dutch Copyright Act into the Databases Act, such as the exception for news purposes.⁶⁸⁹ The *geschriftenbescherming* could indeed be considered as a predecessor of the *sui generis* right.⁶⁹⁰ The scope of their protection is comparable, although perhaps not completely identical.⁶⁹¹ However, differences can also be observed.⁶⁹² During the parliamentary debates on the Dutch transposition,

687 See section 3.2.2.

688 Hugenholtz 1998-III, p. 246; Frequin 1999, p. 14; Dutch Databases Study Committee Report 1999, p. 18; Visser 1999-II, p. 73.

689 Still, the Dutch Supreme Court has made reservations as to the applicability of provisions in the Copyright Act to the *geschriftenbescherming*. It has established that the applicability of copyright provisions must be judged according to their purport, and on a case by case basis. See HR 25 June 1965 (*Televizier v. Radioprogramma III*), NJ 1966, no. 116 note L. Hijmans van den Bergh; *Ars Aequi* 1966/XV, p. 345 note E. Hirsch Ballin.

690 Apart from the authors mentioned in footnote 688, this was also upheld by the Explanatory Memorandum to the Databases Act, Kamerstukken II 1997/98, 26 108, no. 3, p. 22 and in Court of Appeal Arnhem 15 April 1997 (*Denda v. KPN & PTT Telecom*), *Mediaforum* 1997/5, p. B72; *Informatierecht/AMI* 1997/10, p. 214; CR 1997/6, p. 314 note H. Struik. The contrary was held in a judgment on a database containing laws by President District Court The Hague 20 March 1998 (*Vermande v. Bojkovski*), CR 1998/3, p. 144 note J. Spoor; *IER* 1998/3, p. 111 note J. Kabel; *BIE* 1998, p. 390 note A. Quaedvlieg.

691 The *sui generis* right protects against the use of a whole database or substantial parts thereof, irrespective of whether the data have been subjected to a radical rearrangement. This is not certain for the *geschriftenbescherming*, while it is also uncertain whether this protection merely extends to substantial parts, or to insubstantial parts, as well. Its precise scope is thus not clear. Also see section 3.2.2.

692 The *geschriftenbescherming* only applies to non-original writings which have been made available to the public or are so destined, while the *sui generis* right applies to databases, irrelevant of whether they have been made available or not. The databases must represent a substantial investment, a requirement unknown to the *geschriftenbescherming*. The right holder of the *geschriftenbescherming* is in principle the person/employee who actually gives the text its lay out and written form, whereas the *sui generis* right is conferred on the producer, which is often the employer. The length of the *geschriftenbescherming* is equal to copyright, whereas the *sui generis* right only lasts for 15 years.

the Minister of Justice rejected the plea to apply recital 52.⁶⁹³ He stated that this recital was included in the Directive at the instigation of the Scandinavian Member States and only applies to their 'catalogue rule'.⁶⁹⁴ In his view, the Netherlands cannot invoke recital 52 because it did not expressly make such a reservation on the occasion of the Directive's adoption. Visser strongly criticised this explanation on legal grounds.⁶⁹⁵ Despite the same criticism expressed by Members of Parliament, the Minister persisted in his opinion.

During the parliamentary debates, it was also asked whether offering a database for on-the-spot reference use is covered by the reutilisation right.⁶⁹⁶ For example, a library offers its public the possibility to consult a dictionary or a CD-Rom on its premises. As for copyright, Visser argued that in the Netherlands, such an act is not covered by the making available right where writings and motionless two-dimensional images are concerned, as it is common practice to leave this free.⁶⁹⁷ He referred to the Directive on rental and lending rights, which considers it desirable to exclude acts of making available for on-the-spot reference use from rental and lending.⁶⁹⁸ Reinbothe and Von Lewinski are also definite in stating that 'where (...) a CD-Rom is not linked to a local area network, but may be accessed only from one terminal for which it is used, the right of making available does not apply to the access of works from the CD-Rom in this terminal'.⁶⁹⁹

The reutilisation right in the Database Directive, however, is defined in a broad sense⁷⁰⁰ and thus may well include acts of making available for on-the-spot reference use.⁷⁰¹ In the British transposition, these acts indeed seem covered by the *sui generis* right.⁷⁰² In our view, an exception to the

693 Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 12; Handelingen II, 1998/99, pp. 3669-3670; Handelingen I, 1998/99, p. 1594. Gaster 2000-II, p. 93 agrees with the Minister.

694 Bensinger 1999, pp. 13-81 extensively discusses this Scandinavian copyright protection for the producer of catalogues, tables and similar compilations. Also see section 3.2.2.

695 Visser 1999, p. 75.

696 Verslag, Kamerstukken II 1998/99, 26 108, no. 5, p. 5; Nota naar aanleiding van het verslag, Kamerstukken II 1998/99, 26 108, no. 6, p. 7; Handelingen II, 1998/99, pp. 3665, 3666, 3673.

697 Visser 1997-I, pp. 110, 155 and Visser 1998-I, pp. 49-56.

698 Recital 13 of Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, *OJEC* 1992 L 346/61.

699 Reinbothe/Von Lewinski 2002, p. 109.

700 See section 4.4.3.1.

701 However, the Databases Study Committee of the Dutch Association for Copyright, holding the view that this definition is meant to be exhaustive, followed an *a contrario* interpretation in stating that the reutilisation right does not seem to cover this specific form of making available. See the Dutch Databases Study Committee Report 1999, p. 17.

702 The reutilisation right is broadly defined here excluding the public lending of copies, in conformity with the Directive, while reg. 12(4) CRDR subsequently states that public lending does not apply to the making of a copy of a database available for on-the-spot reference use.

reutilisation right is desirable to enable on-the-spot reference use. Such an exception was indeed introduced in the Copyright Directive in 2001, although merely with regard to electronic consultation. It allows publicly accessible libraries, educational establishments, museums, or archives, which have a non-commercial purpose, to make copyright works from their collections available to the public by dedicated terminals on their premises.⁷⁰³

4.7.6.3 Other exceptions in France and the United Kingdom

In France, a new exception to the *sui generis* right has been introduced in the French transposition of the Copyright Directive in 2006. This is placed in art. L. 342-3 CPI, which contains all the exceptions to the *sui generis* right. On the basis of this new exception, legal persons and publicly accessible institutions such as libraries may make proportional extractions and reutilisations of a substantial part of a database for strictly personal consultation by handicapped people, and for non-commercial purposes.⁷⁰⁴ However, this exception goes beyond the enumerative list of exceptions in the Database Directive.⁷⁰⁵

The British CRDR also seem to contain an extra exception to the *sui generis* right. According to regulation 21, the database right is not infringed by the extraction or reutilisation of a substantial part if it is not possible by reasonable inquiry to ascertain the identity of the maker, and it is reasonable to assume that the database right has expired.⁷⁰⁶ Admissible as evidence are a producer's name on (a copy of) a database, or marks or labels on such a copy stating the producer's name or the year the database was first published.⁷⁰⁷ For the sake of proof, database producers may also want to register dated copies of their databases and of subsequent versions of updated databases. Such registering is wise even without the existence of reg. 21, given that recital 53 of the Directive places the burden of proof as to the date of completion of the database – being the date on which the *sui generis* protection starts –

703 Art. 5(3)(n). This exception does not, however, apply when the use of a work is subject to purchase or licensing terms stating otherwise. The Netherlands and France have indeed adopted this exception in their Copyright Acts, see section 3.4.3.6.

704 Loi no. 2006-961 du 1er août 2006 relative au droit d'auteur et aux droits voisins dans la société de l'information, *Journal Officiel de la République française* 2006, no. 178 du 3 août 2006, p. 11529, art. 3, on the Internet at <<http://www.legifrance.gouv.fr>>. Moreover, art. 3 adds a last paragraph to art. L. 342-3 declaring that the *sui generis* exceptions mentioned therein may not conflict with a normal exploitation of the database nor unreasonably prejudice the legitimate interests of the database producer. Thus, it introduces the three-step test from the Berne Convention and the Copyright Directive into the context of the *sui generis* exceptions, although the Database Directive does not prescribe this.

705 Gaster 1999, p. 154 no. 624 accordingly argues that the exceptions for people with poor hearing and eyesight in the Danish transposition are problematic.

706 This provision is grafted onto s. 57 CDPA.

707 Reg. 22 CRDR.

on the producer.⁷⁰⁸ However, reg. 21 seems to suggest a reversal of the burden of proof and it is uncertain to us whether a user can successfully invoke this provision against conclusive proof furnished by the producer. If this is indeed enabled by reg. 21, then it may in our opinion be contrary to the Directive.

4.7.7 Desirable additional exceptions for education, research and access to information purposes

The current exceptions to the *sui generis* right in the Directive, we believe, are too few. By comparison, the 2001 Copyright Directive provides a long list of exceptions which Member States may apply to copyright works. This includes, for example, a compulsory exception for temporary non-commercial acts of reproduction, which the European Commission acknowledged should also be adopted for the extraction right.⁷⁰⁹ Moreover, we pointed out in chapter 3 that several Member States have chosen to extend the amount of exceptions in their copyright acts on the occasion of their transposition of the Copyright Directive. The list in this directive includes several exceptions which permit the use of a whole work or a substantial part, so that they are relevant for databases protected by copyright, as well. However, the Database Directive does not contain the same exceptions for the *sui generis* right. Consequently, the copyright exceptions are null and void when a copyrighted database is protected by the *sui generis* right at the same time.

Yet, these exceptions were placed in the Copyright Directive to serve important purposes, such as non-commercial education and research, and access to information. Indeed, this directive states that it should seek to promote learning and culture by protecting works and other subject-matter while permitting exceptions or limitations in the public interest for the purpose of education and teaching.⁷¹⁰ Educational establishments, libraries, museums and archives play a key role in serving this public interest.⁷¹¹ The Copyright Directive acknowledges their importance by dedicating special exceptions to libraries, museums and archives. These exceptions permit them to perform

⁷⁰⁸ In the same sense Laddie/Prescott/Vitoria 2000, p. 1076, para. 30.44.

⁷⁰⁹ Commission staff working paper on the review of the EC legal framework in the field of copyright and related rights, Brussels 19 July 2004, SEC(2004) 995, p. 8. Also see section 4.4.2.1.

⁷¹⁰ Recital 14. Also compare the preamble to the WIPO Copyright Treaty which recognises 'the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention.'

⁷¹¹ Illustratively, the importance of quality education and of dissemination of the Member States' cultural heritage is acknowledged in arts. 149 to 151 of the EC Treaty, which also stipulates the adoption of incentive measures.

specific acts of reproductions which are non-commercial, such as for preservation purposes, and to make copyright works from their collections available to the public by dedicated terminals on their premises.⁷¹²

The Database Directive, on the other hand, does not appear to have balanced the interests of the *sui generis* right holder against the public interest.⁷¹³ Instead, it contains a meagre amount of exceptions and thus seems disproportionately to favour the *sui generis* right holder. Users are left in the cold, which is the more worrisome since in the digital environment, the access to and dissemination of information is threatened by technological protection measures and restrictive licensing. Moreover, single-source producers enjoying an information monopoly may charge excessive prices and subject users to unfair licence conditions.⁷¹⁴ Now that the digital technologies offer right holders increasing ways to exploit their works, exceptions in favour of education, research or access to information are easily being curtailed for the mere benefit of the right holders' economic interests. The Database Directive provides evidence of this by insufficiently acknowledging the public interest as served by libraries, museums, archives and educational institutions.⁷¹⁵ Therefore, we believe that the exceptions in the Copyright Directive which serve education, research and access to information purposes should seriously be considered for introduction in the Database Directive,⁷¹⁶ both for its copyright and *sui generis* right regime.⁷¹⁷

712 Arts. 5(2)(c) and 5(3)(n) of the Copyright Directive. These exceptions serve the function of these institutions. Their articles of association prescribe that they acquire, preserve and manage a collection and make it available to the public. Their collections are indeed part of our cultural heritage.

713 Although it does contain an exception for illustration for teaching or research, this is too meagre as it solely permits extraction, instead of also allowing reutilisation which is indispensable for illustrating something.

714 Individual database users and non-profit organisations such as museums, libraries or archives will not be able to have recourse to competition law because this can only be invoked by (potential) competitors. See section 5.3.2.2a. Also compare Guibault 2002, p. 299 and Davison 2003, p. 49.

715 Examples of electronic and/or non-electronic databases in their collections are encyclopaedias, exhibition catalogues, dictionaries, telephone directories, newspapers, scientific journals, web sites (in an electronic archiving depository of a library), archives of private or legal persons containing letters, photographs, et cetera.

716 The European Commission is indeed considering adding more exceptions. It wishes to make a case by case assessment as to whether or not there is a need for introducing exceptions from the Copyright Directive into the Database Directive. It is considering adopting the exception for the benefit of the disabled (art. 5(3)(b) of the Copyright Directive) and possibly the exception for libraries permitting certain acts of reproduction (art. 5(2)(c)). See the Commission staff working paper on the review of the EC legal framework in the field of copyright and related rights, Brussels 19 July 2004, SEC(2004) 995, pp. 7, 12 and 13.

717 Strictly speaking, this is not needed for the copyright regime since art. 6(2)(d) of the Directive already makes it possible to apply these copyright exceptions to databases. Nonetheless, the explicit mentioning of these exceptions in the Directive's copyright chapter

4.8 SUMMARY

The Directive's requirement of a substantial investment represents a fairly low threshold for *sui generis* protection. It is a flexible criterion which the Directive meant to be applied on a case by case basis. However, its application requires making economic comparisons which is a drawback of the criterion given that the courts are trained in the law, not in economics. The Dutch doctrine and case law have developed the so-called spin-off theory as a means to interpret the substantial investment requirement. It entails that when a database is generated as a spin-off (or by-product) of activities which are not aimed at producing the database, then the costs for obtaining its contents may not be taken into account for the required substantial investment. Instead, the only investments that should count are those solely aimed at producing the database at issue. In France, this spin-off theory has not attracted much attention in the literature, nor has it been explicitly identified and recognised as being of relevance by the courts. The French courts do not seem to set a high threshold for the substantial investment requirement. In the United Kingdom, however, an approach related to the Dutch spin-off theory was taken in the British BHB decision by Mr Justice Laddie who held that obtaining costs exclude costs for the creation of new data. The European Court of Justice approved this narrow definition of obtaining costs in 2004. We argued that this approach could in specific cases lead to undesirable results.

The owner of the *sui generis* right is the person who takes the initiative and the risk of investing in the database. Many argue that in the case of a commission, the commissioning party is entitled to the *sui generis* right. However, we believe that it is the organisational risk that counts, not the merely financial risk of commissioning the database. The right holder is thus the party which actually produces the database by undertaking substantial investments in the obtaining, verification or presentation of its contents. Indeed, the Directive's purpose is to protect the database producing industry and not commissioning parties. Therefore, it is more useful in our view to define the *sui generis* right holder as the person(s) who undertook the substantial investments for the database production, as has been done in France, Germany and Italy. Moreover, this definition helps to distinguish between the main producer, being the *sui generis* right holder, and subcontractors. Where joint ownership occurs, it is wise to concentrate the *sui generis* right in one party by contract.

The European Court of Justice has ruled that the *sui generis* right has a broad scope and covers both direct and indirect extraction and reutilisation.

would serve clarity. Furthermore, we argued in section 1.5.9.2 that the scope of the exceptions to copyright and the *sui generis* right should match. We also stated that it is vital for reasons of legal certainty and practicality that when a Member State chooses to adopt a specific copyright exception from the Directive, it also adopts the equivalent exception for the *sui generis* right.

Still, its precise scope is not yet definite and the courts in the EU Member States have struggled with the interpretation of the extraction and reutilisation right. Problems are especially posed by Internet intermediaries such as search engines. Their users may infringe the *sui generis* right, but the question is whether the intermediaries themselves commit such infringements, as well.

Several courts have applied a technical approach to the extraction right: an intermediary infringes this right when, on its own initiative or after the actions of users, reproductions are made on its server. We proposed a more restrictive approach, according to which the producer of an intermediary merely infringes the extraction right when he has, on his own initiative and by his own active actions, transferred material from another party's database to his own server. Moreover, an intermediary often enables the making of temporary extractions on its server solely for the purpose of transmitting the requested data to its users. It was laid down in the Copyright Directive that temporary and purely technical reproductions for this purpose do not amount to a copyright infringement.⁷¹⁸ A similar provision should in our view be introduced in the Database Directive as well.⁷¹⁹

As for the reutilisation right, an intermediary may be compared to an Internet service provider. Such a provider does not make information available himself, but merely provides the technical facilities for others to do so. Accordingly, the producer of an intermediary would not be guilty of reutilisation, but he may under specific circumstances still be liable for infringing acts performed by its users. For this assessment, we suggested that the liability rules developed for service providers in the European Directive on Electronic Commerce may be applied analogously to other intermediaries, as well. Such an approach would serve legal certainty by treating all intermediaries alike.

The *sui generis* right is infringed when the whole database is extracted and/or reutilised, or a substantial part thereof, evaluated quantitatively or qualitatively. In Dutch, French and British case law, several courts have qualitatively assessed the substantiality of a part according to its subjective importance for a specific user in the case at hand. Thus, (very) small parts have been considered substantial as being the database's 'core information'. However, the European Court of Justice in 2004 appeared to have ruled against the criterion of economic value being relevant for the substantiality assessment. According to the Court, quantitative substantiality refers to the volume of the used data in relation to the total volume of the database contents, while qualitative substantiality must relate to the scale of the investments which the producer made in that part's obtaining, verification and/or presentation.

Moreover, the Directive stipulates that insubstantial parts may not be repeatedly and systematically used when this conflicts with a normal

718 Art. 5(1) of the Copyright Directive.

719 See section 4.4.2.1.

exploitation of the database or unreasonably prejudices the right holder's legitimate interests. This two-step test also defines, on a compulsory basis, the upper limit of the users' freedom of movement in relation to databases. It is related to the three-step test in several copyright treaties, from which clues may be derived as to its meaning. The French and British transpositions omitted to adopt this two-step test which may well be contrary to the Directive.

Before the French courts, the *sui generis* right and unfair competition (*concurrence déloyale*) are often cumulatively invoked by database producers. These two claims should in our view not cumulatively be awarded where the same act is concerned because, as a special protection regime, the *sui generis* right substitutes for the general regime of unfair competition. However, when a claim for the *sui generis* right is not successful, a producer should still be able subsidiarily to bring an action for unfair competition.

The Directive permits only three exceptions to the *sui generis* right – or four when one includes the compulsory art. 8(1) which prohibits a producer from preventing a lawful user to use insubstantial parts. The Netherlands and France adopted all four. The United Kingdom adopted three exceptions, rejecting the one for private purposes. The Directive stipulates that the exceptions may only be invoked by a 'lawful user'. However, the precise meaning of this term is unclear and several objections were presented against maintaining it in the Directive's exceptions. The omission of the term in the French exception for private purposes is thus not regrettable. However, the French and British exceptions for judicial or administrative procedures or public security may be worded too broadly as they permit the use of a whole database, whereas the exceptions in the Directive's art. 9 only allow the use of a substantial part. The Dutch legislator introduced a fifth exception which denies *sui generis* protection to legal databases produced by a public authority, and also to other databases produced by the same unless the *sui generis* right is expressly reserved. This exception is admissible under the Directive as it concerns a provision which ensures access to public documents. Moreover, it would be very desirable in our view to adopt in the Database Directive the exceptions introduced by the Copyright Directive for temporary reproductions and for education, research and access to information purposes, both for the copyright and *sui generis* regime.