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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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5 | Information monopolies, competition law and compulsory licensing

5.1 INTRODUCTION

Repeatedly, concern has been expressed that the *sui generis* right may be abused to restrict or even block access to information. It has been opposed that this right merely protects against taking the whole contents of a database or a substantial part thereof. Yet, the smaller a database is, the smaller a substantial part may be. Restricting or blocking access to database contents is especially worrying when it is done by database producers which are the sole sources of the information in their databases.

An important category of single-source producers generate the information themselves, such as telecom operators assigning new telephone numbers and broadcasting corporations generating radio and television programming information. Some organisations which exclusively generate or collect particular information are under a legal duty to do so, and sometimes even enjoy a legal monopoly on this information pursuant to special laws. Examples are (former) state undertakings, such as public telecom operators producing telephone directories or public broadcasting corporations producing television listings.

Another category of single sources consists of those with a *de facto* monopoly on their materials, such as scientists who were the first to discover certain factual data, or institutions or private persons possessing unique objects belonging to the cultural heritage.¹ The proprietors of such data or objects can – and sometimes will – use their property right to physically fence these materials off or contractually restrict the use of their materials by other parties, thus exercising powers of a quasi intellectual property nature on the basis of their property *in rem*.² This *de facto* monopoly is strengthened by a *sui generis* right monopoly as soon as the material is incorporated into a database which has required a substantial investment. Thus, whether on the basis of a *de facto* monopoly on his information and/or a *sui generis* right monopoly on his

1 Individually, these objects may or may not (anymore) be protected by copyright.

2 Museums or archives are sometimes merely the keepers of collections which are state property. As these collections are housed in their buildings, they nevertheless enjoy a *de facto* monopoly on them. This enables museums, for example, to fix their own prices for photographs of the objects. See Beunen/De Cock Buning 2000, pp. 297-298 and Aalberts/Beunen 2002, p. 228.

database, a single-source producer can exclusively decide to whom he gives access to his information and under which conditions.

The Database Directive recognises the risk of abuse in its article 16. This states that evaluations of the Directive should devote special attention to the question of whether the *sui generis* right has led to abuses of a dominant position or other interferences with free competition. If so, there may be reason, according to art. 16, to take appropriate measures, such as to reconsider the introduction of a compulsory licensing regime. Monopolies based on the *sui generis* right may, however, not occur as often as was originally feared. This is because, as discussed in the foregoing chapter, the European Court of Justice ruled in 2004 that costs incurred in the creation of new data may not count towards the required substantial investment.³ Consequently, databases by self-generating single-source producers risk not qualifying for the *sui generis* right. This is also stressed in the 2005 report in which the Directive was evaluated for the first time.⁴ This report takes the stance that information monopolies will no longer occur under the Court's ruling, and thus it did not further investigate the desirability of a compulsory licensing regime.⁵

However, single-source databases can still enjoy the *sui generis* right when the verification and/or presentation of their contents require a substantial investment. Moreover, when the contents of a database are exclusively bought from a self-generating single-source party, which does not itself in any way furnish its information to other third parties, the obtaining of this already existing information may also require a substantial investment. Thus, under the ruling of the European Court, single-source databases may still enjoy the *sui generis* right, so that there remains a real danger that their producers, by exercising this right, may abuse their dominant position.⁶ Moreover, we also showed in chapter 4 that valid objections may be – and have indeed been – raised against the Court's ruling.⁷ Given the foregoing, there is in our view a need to search for solutions to the problem of *sui generis* right monopolies in the sphere of competition law or of compulsory licensing.

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-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. See section 4.2.3.7.

4 DG Internal Market and Services Working Paper: First evaluation of Directive 96/9/EC on the legal protection of databases, Brussels, 12 December 2005, p. 14.

5 The report seems to criticise the European Court's narrow interpretation (p. 13: 'While going against the Commission's original intention of protecting "non-original" databases in a wide sense'), and instead suggests as a possible revision (p. 26) to reformulate the *sui generis* right 'in order to also cover instances where the creation of data takes place concurrently with the collection and screening of it'.

6 Also see Hugenholtz 2005, p. 216.

7 See sections 4.2.3.8 and 4.2.3.10.

5.2 EUROPEAN COMPETITION LAW

5.2.1 The EC Treaty

European competition law principles and the case law of the European Court of Justice are authoritative for the national courts. National competition legislation of the EU Member States is generally based on the European standards in articles 81 and 82 of the EC Treaty. While art. 81 concerns agreements between undertakings that affect competition within the European common market,⁸ art. 82 prohibits the abuse of a dominant position. Its first sentence reads:

Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect trade between Member States.

Art. 82 may, for example, be opposed to licence refusals.⁹ As mentioned above, information monopolies cause special concern in the context of the Database Directive. Under specific circumstances to be discussed below, such information monopolies may amount to an abuse of a dominant position under art. 82.

Art. 82 requires the presence of a dominant position on a relevant product market and geographic market within the European common market, which affects trade between Member States. The European Commission has issued a notice describing how these markets are to be determined by the courts.¹⁰ Accordingly, a relevant product market comprises all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the products' characteristics, their prices and their intended use. The possibility of substitution between products and a product's range of price elasticity are useful indications for the determination of the relevant product market.

The relevant geographic market is defined as the area in which the undertakings concerned are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogeneous

8 An exemption applies for licensing agreements concerning software copyright, know-how, specific patents, and design rights on the basis of the Transfer of Technology Block Exemption Regulation (Commission Regulation 772/2004 of 27 April 2004 on the application of Art. 81(3) of the Treaty to certain categories of technology transfer agreements, *OJEC* 2004, L 123/11) and related Guidelines, which entered into effect on 1 May 2004.

9 Abusive practices mentioned as examples in art. 82 are, in short: a) imposing unfair prices or selling conditions, b) limiting production, markets or technical development to the prejudice of consumers, c) applying dissimilar conditions to equivalent transactions with other trading parties, and d) making the conclusion of contracts subject to acceptance of supplementary obligations which have no connection with the contract's subject.

10 Commission notice on the definition of the relevant market for the purposes of Community competition law, *OJEC* 1997 C 372. Also compare Anderman 1998, pp. 151-167.

and which can be distinguished from neighbouring areas because the conditions of competition are appreciably different in those areas.

Subsequently, it must be established whether the undertaking¹¹ indeed occupies a dominant position on these markets. Pursuant to European case law, a dominant position is held by an undertaking which has the power to behave to an appreciable extent independently of its competitors, its customers and ultimately of its consumers.¹²

The economic concept of a dominant position must strictly be distinguished from the legal monopoly granted by an intellectual property right.¹³ Indeed, the European Court of Justice has held that mere ownership of an intellectual property right cannot confer a dominant position, nor can its normal exercise. It is instead decisive whether an owner of an intellectual property right can impede the maintenance of effective competition in the relevant market or prevent the emergence of such competition.¹⁴

Even when a party holds a dominant position, the exercise of an intellectual property right – in particular a refusal to grant a licence – cannot in itself be regarded as an abuse of this dominant position. The essence of an exclusive right is indeed that its holder is able to decide whether or not he authorises others to use his work, and thus to protect himself against competition.¹⁵ He is allowed to do so because he has created something which the (national) legislator considered worthy of protection. For a limited period of time, he enjoys an exclusive right as a reward for his creative efforts, enabling him to recover his costs. The *existence* of an intellectual property right is thus not subject to scrutiny under European competition law.¹⁶ In exceptional circumstances, however, the *exercise* of an exclusive right may involve abusive conduct according to the European Court of Justice.

11 Art. 82 requires an undertaking whose activities affect trade within the common market. It cannot, for example, be opposed to private persons such as scientists or art collectors who refuse to give other parties access to unique information or objects in their possession. In its judgment *Höfner and Elser v. Macrotron*, European Court of Justice 23 April 1991, Case C-41/90, *ECR* 1991, p. I-1979, the European Court found that the concept of an undertaking encompasses every entity engaged in economic activity, regardless of its legal status and the way in which it is financed. Next to commercial database producers, institutions which are publicly financed and serve the public interest such as museums may perhaps also be considered undertakings, as they engage in producing and selling unique information.

12 *United Brands v. Commission*, European Court of Justice 14 February 1978, Case 27/76 (*United Brands*), *ECR* 1978, p. 207. Also see *Anderman* 1998, p. 168; *Bellamy/Child* 2001, p. 685, § 9-009.

13 *Bellamy/Child* 2001, p. 710, § 9-056.

14 See *Govaere* 1996, pp. 111-112; *Anderman* 1998, p. 169.

15 *AB Volvo v. Erik Veng Ltd*, European Court of Justice 5 October 1988, Case 238/87 (*Volvo*), *ECR* 1988, p. 6211, para. 8. *RTE & ITP v. Commission*, European Court of Justice 6 April 1995, joined cases C-241/91 P and C-242/91 P (*Magill*), *ECR* 1995, p. I-743, para. 49.

16 See on the existence-exercise dichotomy, critically, *Govaere* 1996, pp. 62-70.

5.2.2 European case law on abuse of information monopolies

5.2.2.1 *The Magill case*

The European Court established in its *Magill* decision in 1995 that a refusal to license an intellectual property right may under exceptional circumstances amount to an abuse of a dominant position.¹⁷ This was first decided in the European cases *Renault* and *Volvo* on design rights.¹⁸ The European Court confirmed it in its *Magill* case, where the refusal to license copyrighted TV programming information was found to be abusive on the basis of the additional presence of three exceptional circumstances. These were:

- 1 The broadcasters' refusal to license basic information of which they were the sole sources prevented the appearance of a new product which they did not offer and for which there was a potential consumer demand;
- 2 There was no objective justification for the refusal to grant a licence;
- 3 The effect of the refusal was that the broadcasters reserved a secondary market to themselves by denying all access to their indispensable information.

Consequently, the Court sanctioned the compulsory licence imposed by the European Commission. As a result, the broadcasters were forced to license their information on a non-discriminatory basis to third parties requesting a licence.

This decision aroused much discussion. Some argued that European competition law took away what had been granted under national copyright law.¹⁹ Critics held that the decision went too far in that it forced a party to actively help a potential competitor to enter the market while risking being eventually pushed from the market by the other party's product.²⁰ Moreover, many argued that another circumstance had influenced the Court's decision, as well, which was the fact that the case concerned British copyright on TV listings, the granting of which could be questioned given the information's lack of

17 *RTE & ITP v. Commission*, European Court of Justice 6 April 1995, joined cases C-241/91 P and C-242/91 P (*Magill*), *ECR* 1995, p. I-743.

18 *Cicra et Maxicar v. Renault*, European Court of Justice 5 October 1988, Case 53/87 (*Renault*), *ECR* 1988, p. 6039. *AB Volvo v. Erik Veng Ltd*, European Court of Justice 5 October 1988, Case 238/87 (*Volvo*), *ECR* 1988, p. 6211.

19 Westkamp 2001, p. 19; Stothers 2002, p. 88.

20 Advocate General Gulmann concluded that no compulsory licence should have been granted because *Magill's* new product would compete with the broadcasters' own magazines, see his conclusion of 1 June 1994, para. 97, in *ECR* 1995, p. I-737. Several authors agree with him, for example, Feenstra/Krawczyk 1992, p. 45; Calvet/Desurmont 1996, p. 33. Also see Mallet-Poujol 1996-II, p. 171.

creative effort.²¹ The authority of this judgment was thus questioned for cases concerning 'real' intellectual property rights.²² It may indeed be argued that Magill's meaning is limited because the facts of the case were so specific. Others believed, however, that the Magill decision would be a precedent for future cases on intellectual property rights.

5.2.2.2 *The Bronner case*

The European Court formulated a new set of circumstances in its Bronner judgment of 1998.²³ Here, a media undertaking with a dominant position refused to include Bronner's rival newspaper in its newspaper home delivery service. This service system was not protected by an intellectual property right. The Court found that the refusal of access would amount to an abuse of a dominant position if the following three exceptional circumstances were met:

- 1 The desired facility is essential in that no real or potential alternatives exist;²⁴
- 2 There is no objective justification for the refusal;
- 3 The refusal of access completely bars the competitor from competition.

Two criteria differ from those formulated in the Magill decision. Firstly, the Court applied the 'essential facilities' doctrine, already known from American competition law. When an undertaking possesses an essential facility, it is by definition in a dominant position on any market for that facility. Thus, a determination of the relevant market is not needed once an essential facility has been established.²⁵ Secondly, the Court required that the refusal bars competition by the claiming competitor, instead of *any* possible competitor as in Magill. Thirdly, it merely required a competing product instead of

21 Doutrépoint 1994, p. 307 (on the preceding decisions of the European Commission and the Court of First Instance); Govaere 1996, p. 149; Calvet/Desurmont 1996, p. 7; Cohen Jehoram/Mortelmans 1997, pp. 12 and 15; Bâth 2002, p. 138; Stothers 2002, p. 92; Le-marchand/Fréget/Sardain 2003, p. 22; Cornish/Llewelyn 2003, para. 18-16, p. 755. Drexel 2004, p. 792 objects that the issue is not whether the Magill decision makes good copyright law, but whether it relies on sound competition policy considerations under art. 82.

22 Doutrépoint 1994, p. 307; Cohen Jehoram/Mortelmans 1997, p. 12.

23 Oscar Bronner v. Mediaprint, European Court of Justice 26 November 1998, Case C-7/97 (Bronner), ECR 1998, p. I-7791.

24 The Court (in paras. 45 and 46) determined that in order to demonstrate that the creation of an alternative system is not a realistic potential alternative, it is not enough to argue that it is not economically viable. One should at least establish that it is not economically viable to create a service or product on a scale comparable to that of the undertaking which controls the existing service or product. The European Court confirmed this in its 2004 IMS Health decision, see the following subsection.

25 Commission guidelines on market analysis and the assessment of significant market power under the Community regulatory framework for electronic communications networks and services, OJEC 2002 C 165/6, no. 81.

Magill's new product. Thus, the European Court applied art. 82 not to a secondary market as in Magill, but to a primary market.

Like in the Magill case, the exceptional circumstances which the Court considered to be of relevance in Bronner seem highly geared towards the specific facts of the case. This gave rise to a discussion in the literature as to whether Bronner's 'essential facilities' doctrine is applicable to intellectual property rights, and whether the Magill criteria can be applied to ordinary property rights²⁶ and to cases where no secondary market for new products is at issue.²⁷ Regrettably, European case law does not provide any clear answers.²⁸

5.2.2.3 *The IMS Health case*

IMS Health used a so-called 'brick structure', which divided Germany into 1860 geographical areas (bricks), to collect and analyse pharmaceutical market information. IMS Health refused to license its brick structure, which was allegedly protected by copyright²⁹ and was used as an industrial standard. The European Commission imposed interim measures in the form of a compulsory licence, which it based on a combined analysis of the Magill, Tiercé Ladbroke and Bronner judgments.³⁰ References were made in this case for a preliminary ruling by the European Court on the interpretation of art. 82. In 2004, the Court considered, in accordance with its Magill decision, that since the reproduction right forms part of the copyright owner's rights, a refusal to grant a licence cannot in itself constitute an abuse of a dominant position.³¹ Still, the exercise of an exclusive right by its owner may, in exceptional circum-

26 The European Court explicitly left this question open in its Bronner judgment, para. 41.

27 Wezenbeek-Geuke 2001, pp. 340-341.

28 For example, the Court of First Instance rejected the application of the Magill criteria in the Tiercé Ladbroke case, which concerned a refusal to license the transmission of copyrighted broadcastings of horseraces. It held that Magill was not relevant because the requesting party was not prevented from entering the market, but was already active on this Belgian betting market, as opposed to the copyright owner. The Court of First Instance concluded that the owner's licence refusal did not restrict competition on this market as the owner did not directly or indirectly exploit his intellectual property rights on the Belgian market. See Tiercé Ladbroke SA v. Commission, Court of First Instance 12 June 1997, Case T-504/93, ECR 1998, p. II-923.

29 Stothers 2002, p. 93 questions the copyrightability of the brick structure and makes a comparison with the weak British copyright in the Magill case.

30 NDC Health v. IMS Health, Case COMP D3/38.044 of 3 July 2001, OJEC 2002 L 59/18. The President of the Court of First Instance suspended the Commission's compulsory licence, see IMS Health v. Commission, Case T-184/01 R, orders of 10 August 2001, ECR 2001, p. II-2349 and of 26 October 2001, ECR 2001, p. II-3193. On appeal, this suspension was confirmed by the President of the European Court of Justice in NDC Health v. IMS Health, Case C-481/01 P(R), 11 April 2002, ECR 2002, p. I-3401.

31 IMS Health v. NDC Health, European Court of Justice 29 April 2004, Case C-418/01, ECR 2004, p. I-5039.

stances, involve abusive conduct. In answer to the references made, the Court ruled:

- 1 Abuse of a dominant position by a licence refusal presupposes the indispensability of the copyrighted brick structure. To determine its dispensability, one should take into account the degree of participation by users in the development of that structure and the outlay, particularly in the form of costs, which potential users have to provide in order to purchase market studies on the basis of an alternative structure.
- 2 The refusal to grant a licence for an indispensable copyrighted structure by an undertaking in a dominant position constitutes abuse of a dominant position under art. 82 when the following conditions are cumulatively fulfilled:
 - the undertaking requesting the licence intends to offer, on the market for the supply of the data in question, new products or services for which there is a potential consumer demand;
 - the refusal is not justified by objective considerations;³²
 - the refusal is such as to reserve to the copyright owner the market for the supply of data on sales of pharmaceutical products in the Member State concerned by eliminating all competition on that market.

The Court's consideration of the indispensability recalls Bronner's 'essential facilities' doctrine,³³ while the list of the three exceptional circumstances largely correspond to the Magill criteria. However, whereas Magill's third criterion only applies to a secondary market, sharply distinguishing between markets does not seem so essential for the Court in this case. According to the Court, it is sufficient that a potential or even hypothetical market can be identified, which is the case where products or services (such as Bronner's home delivery service or IMS Health's brick structure) are indispensable in order to carry on a particular business and where there is an actual demand for them on the part of undertakings which seek to carry on the business for

32 Like in Magill and Bronner, the Court did not clarify what may constitute such an objective justification but, instead, it referred this assessment to the national courts. Also see Derclaye 2004, p. 303. Stothers 2004, p. 471 argues that an objective justification is present when an owner of an intellectual property right refuses a licence due to concern about the proposed licensee's solvency or the intended use of the rights. According to the concept of the 'specific subject-matter', which was developed in European case law but is not undisputed, the intellectual property right must be exercised within the boundaries of its specific subject-matter. See Govaere 1996, pp. 79-101 on this concept.

33 Kamperman Sanders 2004, p. 132, and Stothers 2004, p. 471 argue that this decision shows that a *de facto* standard (like the brick structure in this case) may be considered an essential facility.

which they are indispensable.³⁴ The Court subsequently stated that it is decisive that two different interconnected stages of production may be identified, the upstream product being indispensable for the supply of the downstream product. As a result, a compulsory licence may now be issued for a competing – but new – product in the same (downstream) market as is served by the copyright owner.³⁵ Anderman, Derclaye, Kamperman Sanders and Stothers rightly observe that the question still remains when a new product is at issue, which is likely to result in many legal disputes.³⁶

5.2.2.4 Conclusion

It seems that the European Court has not yet taken a firm stand on the strictness of the Magill and Bronner criteria, and on the question of which set of criteria may be applied in which situations.³⁷ In its IMS Health decision, the Court combined Bronner's 'essential facilities' doctrine and the three criteria from Magill, with adaptations tailored to the case at issue. Given the specific facts in the IMS Health case, it may be too early to predict whether this specific set of criteria will have authority for future cases concerning refusals to license an intellectual property right. Interestingly, the Dutch District Court in Rotterdam already rightly stated in 2002:³⁸

'(...) given the current state of the jurisprudence of the European Court of Justice relevant to the matter at hand here – namely [the question of] which circumstances are exceptional to such an extent that they justify a breach of the exclusivity of the intellectual property right – it cannot be stated that the Court of Justice in the Magill decision already spoke out definitely and explicitly in the sense that only the circumstances mentioned therein must be cumulatively considered "ex-

34 See paras. 42-45 of the judgment. In para. 42, the Court referred to its Bronner judgment, where it held that in order to assess whether the refusal to grant access to a product or a service indispensable for carrying on a particular business activity was an abuse, it was relevant to distinguish an upstream market, constituted by the product or service, in that case the market for home delivery of daily newspapers, and a (secondary) downstream market, on which the product or service in question is used for the production of another product or the supply of another service, in that case the market for daily newspapers themselves.

35 Kamperman Sanders 2004, p. 132 remarks that this means a more severe regime for the copyright owner.

36 Anderman 2004, p. 9; Derclaye 2004-I, pp. 302-303; Kamperman Sanders 2004, p. 132; Stothers 2004, p. 470.

37 Schmidt 2002, pp. 215, 216 argues that all criteria within one set should be cumulatively met and she does not rule out the possibility that the Court will add new exceptional circumstances in the future. The same is argued by Anderman 2004, p. 10.

38 District Court Rotterdam 11 December 2002 (NOS v. NMa), *Mediaforum* 2003/2, p. 73, para. 2.4.2. The same passage was cited by Advocate General Verkade in his conclusion (para. 4.29) in the Dutch Supreme Court case HR 6 June 2003 (NOS v. De Telegraaf), *AMI* 2003/4, p. 141. The translation in English is our own, as is the addition between square brackets.

ceptional". On the contrary – apart from paragraph 41 of the Bronner judgment – especially a concept like "exceptional" or "special" circumstances leaves room for legal development and for taking into account the specific aspects of the case at issue. Thus, it does not seem likely that the Court of Justice in the Magill decision wanted to commit itself in detail already beforehand.'

This consideration still holds true today in our view. Schmidt convincingly argues that the European Court appears to deal with intellectual property rights and exceptional circumstances on a case by case basis.³⁹ Already in 2001, Wezenbeek-Geuke expressed doubt as to whether the practical significance of the forthcoming IMS Health decision would be great for competition law because the facts of this case were so specific.⁴⁰

For the present, it appears that neither European competition law nor the case law of the European Court of Justice as yet provides clear rules to decide when a refusal to license an intellectual property right amounts to an abuse of a dominant position.⁴¹ The European Court did establish that this requires the presence of exceptional circumstances. It is, however, not definite about which circumstances are relevant. In its case law, it seems that the circumstances as defined in the Magill and Bronner decisions keep emerging, but in different combinations and wordings. Moreover, the Court leaves the national courts to assess whether the criteria are fulfilled without, as yet, offering clear guidance on the meaning of important terms such as new product, potential consumer demand, or objective justification.⁴²

5.2.3 The *sui generis* right versus European competition law

5.2.3.1 The *sui generis* right versus European case law

European case law on article 82 in relation to intellectual property rights is scarce. So far, only five cases have emerged which have dealt with such licence refusals.⁴³ Only in the Magill case was the compulsory licence imposed by the Commission sanctioned by the European Court.⁴⁴ The Database Directive explicitly mentions that competition law is applicable to databases protected under it.⁴⁵ However, given the scarce case law, the following predictions of

39 Schmidt 2002, p. 216. In the same sense Wezenbeek-Geuke 2001, p. 342 and Báth 2002, p. 140.

40 Wezenbeek-Geuke 2001, p. 343.

41 Also see Anderman 2004, p. 10; Van Loon 2004, p. 91.

42 Compare Anderman 2004, pp. 9-10; Van Loon 2004, p. 90.

43 Renault, Volvo, Magill, Tiercé Ladbroke and IMS Health. Bronner did not concern an intellectual property right.

44 The IMS Health judgment concerned a reference for a preliminary ruling and left the assessment of the alleged abuse to the national courts.

45 Art. 13 and recital 47.

how the European Court will assess the exercise of the *sui generis* right in the context of art. 82 inevitably have a hypothetical character.

When the Court is faced with an accusation that a *sui generis* right holder abuses his dominant position by a refusal to licence his database's contents, it will first have to determine whether the accused holds a dominant position. Anderman remarks that the possession of an intellectual property right does not automatically amount to a dominant position; the actual possibilities of commercial exploitation depend upon the extent of demand and competition in the market for the protected product.⁴⁶ Thus, it is necessary to determine the relevant product market and geographic market for the database at issue.⁴⁷ Westkamp argues that these markets are not easy to define for information. Often, several (sub)markets are defined in a competition case,⁴⁸ and in Westkamp's opinion, there may be several separate markets for information and databases as well, depending on whether the supply side or the demand side is chosen as a starting point.⁴⁹ The specific nature of the information is also relevant, as it decides whether third parties wish to acquire it.⁵⁰

In addition to a dominant position, the European Court in its Magill decision required exceptional circumstances for the licence refusal to constitute an abusive exercise of copyright. The question is whether the Magill decision also has authority for the *sui generis* right. Gaster argues that Magill is indeed applicable to this new right.⁵¹ If we assume that this is correct for the sake

46 Anderman 1998, p. 169.

47 See their definitions in section 5.2.1.

48 In the Magill case, for example, the Court of First Instance followed the European Commission in its finding that the broadcasters held a dominant position both on the market for their weekly listings (serving third parties wishing to publish and market comprehensive television guides) and on the market for the television magazines in which these listings were published (serving television viewers). See paras. 62 and 63 in *RTE v. Commission*, Court of First Instance 10 July 1991, Case T-69/89 (Magill), *ECR* 1991, p. II-485.

49 Westkamp 2001, pp. 15 and 17 holds that four relevant markets may be determined, namely the market for the required information, the market in which the main activity takes place, the market in which the information is going to be utilised and the market for the licensing of an intellectual property right. Furthermore, he puts forward that defining markets can also be done according to the supply side; the information may be generated by the database producer itself, compiled under a legal duty, acquired through a contractual agreement, or collected from the public domain. Moreover, in his opinion, there may also be separate markets for information in different states of aggregation, such as raw data, value-added information and whole databases. Also see Ullrich 2001, pp. 386-389; Lemarchand/Fréget/Sardain 2003, p. 23.

50 Objections may be raised against taking the demand side as the starting point in defining the relevant market because when there is a demand for very particular information, dominance on that specific niche market can easily be established, as was argued by Westkamp 2001, p. 15. Indeed, the more specific the demand, the smaller would be the relevant market and the sooner a producer holds a dominant position.

51 In his annotation on Tribunal de commerce Paris 18 June 1999 (*SA France Télécom v. Sarl MA Editions et SA Fermic devenue Iliad*), *MMR* 1999/9, p. 536 and also in his presentation

of argument,⁵² the presence of the three exceptional circumstances required in Magill must be assessed. The first one requires that the database producer holding the *sui generis* right is the sole source of the desired information. He could indeed be such a single source when he generates the information himself or when he is the only party that can supply the information, for example, after having acquired it through an exclusive licence.⁵³ Moreover, the party requesting a licence for the protected information must demonstrate that he wishes to use it for the production of a new product for which there is a potential consumer demand.

Secondly, pursuant to Magill, the database producer must reserve a secondary market for himself. Westkamp argues that it is difficult to determine when a market is secondary, instead of primary.⁵⁴ Supposing a *sui generis* right holder's main activity is producing medical databases, when does another party's importantly enhanced and extended medical database represent a new product for which there is a secondary market? Westkamp observes that such differences in databases can easily create entirely new demands.⁵⁵

The third exceptional circumstance required by Magill is the absence of an objective justification for the right holder's refusal to grant a licence.⁵⁶ As mentioned, several commentators read between the judgment's lines an implied disapproval of the fact that the United Kingdom and Ireland conferred copyright on factual information without creativity.⁵⁷ Analogously, Lemarchand/Fréget/Sardain suggest that the copyright in information products such as databases is weaker than in really original works, which express the author's personality.⁵⁸ In their view, this would justify a counteraction based on competition law succeeding more easily. Cornish⁵⁹ and Kamperman Sanders⁶⁰

at the Columbanus Symposium, 29 August 2003 in Oslo, available on the Internet at <http://www.jus.uio.no/iri/columbanus/foredrag/jens_gaster.pdf>.

52 The Court does not seem to have given a definite set of criteria in its Magill decision as appears from its deviation from these criteria in its IMS Health decision, see section 5.2.2.3.

53 The acquisition of an exclusive licence by an undertaking in a dominant position may amount to abusive conduct in special circumstances pursuant to the decision of the Court of First Instance of 10 July 1990 in Tetra Pak Rausing SA v. Commission, Case T-51/89 (Tetra Pak I), ECR 1990, p. II-309.

54 In the same sense Ullrich 2001, p. 394.

55 Westkamp 2001, p. 17.

56 See footnote 32.

57 See section 5.2.2.1.

58 Lemarchand/Fréget/Sardain 2003, pp. 12, 19.

59 Cornish 1997, p. 441 writes in respect of the Magill decision: 'This general limitation on the powers of intellectual property owners to extract full economic value from their apparently exclusive right is said by the Court to operate only in exceptional cases. But where a right is conferred directly to protect investment, as is the avowed purpose of the right in database contents, it should not be allowed to become a barrier against access to information. The social interest in being able to obtain information of many kinds at a reasonable, rather than a monopolist's, price may rather readily be regarded as paramount.'

support a similar approach for the *sui generis* right. On the other hand, it could be argued that the *sui generis* right is a harmonised right, the introduction of which the European legislator considered to be necessary and justified. Thus, there seems to be no room for the European Court to doubt its existence and appropriateness. Moreover, the *sui generis* right was construed as an exclusive right, and the Magill and IMS Health decisions showed that the exercise of so an exclusive intellectual property right cannot easily be opposed by competition law, since this requires exceptional circumstances.

5.2.3.2 National case law

Interestingly, the courts in France and the Netherlands already faced competition law issues in relation to the *sui generis* right.⁶¹ In several cases, the defendants accused single-source database producers of an abuse of a dominant position in order to justify their own infringing extractions. The databases at issue consisted of telephone subscriber data owned by telecom operators, and television programme information maintained by broadcasting corporations. The alleged abuses of a dominant position concerned refusals to license the database contents and excessive pricing.

Most cases have so far occurred in France. In a lawsuit on subscriber data, the defendant accused France Télécom of charging prices which were too high in an (unsuccessful) attempt to justify its own infringing extractions.⁶² It failed because the court established that the defendant had not tried to obtain a licence from France Télécom beforehand, while the latter's prices were comparable to those of other telecom operators in Europe. However, a similar case against France Télécom was successful before the French Supreme Court.⁶³

60 Kamperman Sanders 2002, p. 383 argues that the *sui generis* right, because of its roots in competition law, should be subject to a higher level of scrutiny than proper intellectual property rights where antitrust policy is concerned.

61 In the United Kingdom, two cases occurred in 2005 where claims were made for abuse of a dominant position by the British Horseracing Board (BHB) through excessive pricing: BHB Enterprises plc v. Victor Chandler (International) Limited [2005] EWHC 1074 (Ch) and Attheraces Ltd & Another v. the British Horseracing Board & Another [2005] EWHC 3015 (Ch). In the first-mentioned judgment, the question whether the database of the BHB enjoyed *sui generis* right was left open, while the claim for abuse made by Victor Chandler Ltd was dismissed. The second judgment was delivered after another court had established that the BHB's database was not protected by the *sui generis* right. In this second case, the claim of abusive pricing made by Attheraces Ltd was successful. See section 4.2.3.9 on these decisions.

62 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.

63 In the same case, the Conseil de la Concurrence had already held in its 1998 Filetech decision that France Télécom had abused its dominant position on the market of telephone subscriber data through unlawful price discrimination. See its decision no. 298-D-60 of 29

Its 2001 decision established that a *sui generis* right holder may lawfully claim licence payments, but when his database constitutes an essential facility for producers of competing products, he may not abuse his dominant position by providing access to his database only against excessive prices.⁶⁴

In the French case of *Miller Freeman v. Neptune Verlag*, the defendant had copied a catalogue containing addresses of and information on salon exhibitors.⁶⁵ The court rejected the plea for abuse of a dominant position because the defendant had the possibility to collect the same information himself, so that the claimant's dominant position could not be demonstrated. Another case concerned the same catalogue, copied this time by the company *Tigest*.⁶⁶ The original catalogue contained a clause which permitted the use of its information for personal purposes only, which according to *Tigest* amounted to an abuse of a dominant position as regards the creation and distribution of new products and services with an intellectual, documentary, technical, economic, or commercial added value, in accordance with the Directive's recital 47. Because *Tigest* failed to prove that its product possessed such qualities, the court rejected this accusation. It also took into account that *Tigest* had never requested authorisation to compile the data for its own commercial purposes. Interestingly, *Tigest* also invoked the right to freedom of expression in art. 10 of the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR), and stated that the above-mentioned restrictive catalogue clause was contrary to this provision.⁶⁷ However, the appeal court established that the commercial exploitation of another

September 1998, which was confirmed in CA Paris 29 June 1999 (*France Télécom v. Lectiel* (anciennement *Filetech*), *Groupadress*), *Expertises* 2000/235, p. 74.

64 Cass. 4 December 2001 (*France Télécom v. Lectiel, Groupadress*), *ECLR* 2002/5, p. N-61. Also see footnote 101. Similarly, in a case before the Conseil d'Etat, it was decided that company data owned by the French National Institute for Statistics and Economic Studies INSEE were an essential facility, and that licensing them against excessive prices amounted to an abuse of a dominant position. Conseil d'Etat 29 July 2002 (*Sté Cegedim v. INSEE*), on the Internet: www.legalis.net.

65 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.

66 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.

67 According to art. 10, everyone has the right to freedom of expression, including the freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. However, the exercise of this right may be subject to conditions or restrictions prescribed by law which are necessary, among other things, for the protection of rights of others such as copyright and the *sui generis* right. Therefore, art. 10 does not necessarily grant an access right to another's information, nor does it create a duty for the owner to provide his information to third parties (see *Hugenholtz* 1989, pp. 153 and 158, and *Verkade* 1990). It is thus doubtful whether access to information in a database can be enforced through art. 10 (as is also demonstrated by the above French case). Also see *Kamperman Sanders* 2002, pp. 392-393, and *Hugenholtz* 2002-II who describes European case law concerning the conflict between copyright and the freedom of expression.

party's database is not a privilege granted by the right to freedom of expression. Instead, the court held that this freedom extends to the communication of opinions, ideas or information of any kind, but not – as in this case – to the exploitation of items from another party's database for purely commercial, non-informational purposes.

In the Netherlands, two cases were contested at several instances on the *sui generis* right in relation to competition law. In one case, the firm Denda opposed the Dutch telecom operator KPN for its refusal to supply telephone subscriber data for Denda's Tele-Info-CD against reasonable prices. The other case concerned TV listings which the broadcasting corporation NOS did not want to supply to De Telegraaf, a newspaper wanting to publish a weekly overview of TV programming information. In some of the resulting judgments an abuse of a dominant position was indeed found.⁶⁸ Yet, this was ultimately dismissed in one of these cases, in which the broadcasting corporation NOS refused to license TV listings.⁶⁹ The Dutch courts referred to the Magill and Bronner judgments in their decisions. Unsurprisingly, some courts provide evidence of confusion as to whether they should apply the criteria from Magill, Bronner or both. To conclude, national courts decide on a case by case basis, and no clear rules may be derived from their judgments as to the outcome of future cases.

5.2.4 Conclusion

The effectiveness of European competition law in combatting an abuse of a dominant position by a database producer holding a *sui generis* right is difficult

68 Dutch Competition Authority and Dutch Independent Post and Telecommunications Authority (OPTA), provisional decision 14 December 1998 (Denda e.a. v. KPN), *Mediaforum* 1999/2, p. 51. 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. 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. 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. De Telegraaf), *Mediaforum* 2003/2, p. 73 note R. Mahler. HR 6 June 2003 (NOS v. De Telegraaf), *AMI* 2003/4, p. 141 note K. Koelman.

69 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. In another judgment on TV listings by a lower court, these listings were implicitly denied protection by the *sui generis* right but they held copyright in the form of the Dutch *geschriftenbescherming*. The claimant owning a monopoly in the listings was found not to abuse a dominant position because the defendant's product did not qualify as a new product. Moreover, the defendant unsuccessfully invoked art. 10 ECHR as the judge decided that the restriction of the freedom of information by the *geschriftenbescherming* is a necessary restriction prescribed by law. President District Court Amsterdam 28 July 2005 (SBS Broadcasting BV v. Quote Media Holding BV, MNTB BV, MTV Networks BV), *NJ Feitenrechtspraak* 2005, no. 339.

to predict. This is firstly because the European Court of Justice does not appear to use a fixed set of assessment criteria; it requires the presence of exceptional circumstances, but it seems to define these on a case by case basis. Moreover, it is not yet certain whether the circumstances defined by the European Court in cases concerning intellectual property rights will also apply to the *sui generis* right because, strictly speaking, it is not classified as an intellectual property right in the Directive. Some argue that the fact that this right merely protects an investment instead of creativity, should induce the European Court to decide more readily that an abuse of the *sui generis* right under art. 82 is at issue.⁷⁰ Yet, the rarity of European case law on alleged abuses of information monopolies makes the outcome of any such cases difficult to foretell,⁷¹ both for the European Court and national courts.⁷² The possibility of successfully invoking art. 82 may seem small given that the Court only upheld such a claim in one of its three judgments, namely Magill.⁷³

Moreover, there are also practical reasons to question the effectiveness of European competition law in general. Firstly, there is a serious risk that parties are scared off by the long and costly procedures before the European Court, while procedures before national courts may also take a long time. In the Magill case, for example, it took nine years before the Court took its final decision. Besides, the fact that the European Court has so far found abuse only once may perhaps not be encouraging for bringing a case before this court or a national court, either. Another drawback of competition law is that it only takes effect *ex post*, which means that the abuse must already have been committed before an action can be brought. Added to the often lengthy litigation, there is a possibility that an undertaking desiring access to the market and opposing a licence refusal or abusive pricing may have become bankrupt before learning of the final decision.⁷⁴

5.3 COMPULSORY LICENSING

5.3.1 Introduction

Given the uncertain outcome of the application of European competition law to the *sui generis* right, it could be argued that a compulsory licensing regime in the Database Directive would create more legal certainty. Moreover, such

70 See footnotes 59 and 60.

71 Fine 2002, p. 467 writes: 'The rarity of such cases, in itself, should provide relief for owners of valuable IPRs, who fear denigration of these rights under E.C. antitrust policy.'

72 Also see Ullrich 2001, p. 366.

73 Copyrighted information was at issue in the Magill, Tiercé Ladbroke and IMS Health decisions.

74 For example, this was the case for the company Magill, as is remarked by Speyart 1996-II, p. 176.

a regime works *ex ante*, as opposed to competition law. A compulsory licence, as defined by Guibault, is an obligation for the right holder to grant individual licences, at a price and under conditions to be determined jointly with the user or fixed by the authorities where agreement cannot be reached.⁷⁵ Under a compulsory licence, a work may not be used without the prior authorisation of its right holder, as opposed to a statutory licence.⁷⁶

A compulsory licensing provision was indeed foreseen in earlier proposals for the Directive of 1992 and 1993. It is interesting to note that this provision was drawn up before the European Court of Justice delivered its judgments in the Magill and Bronner cases. Nevertheless, the European Commission and the Court of First Instance had already given their decisions in the Magill case, establishing an abuse of a dominant position based on the presence of specific exceptional circumstances (which were ultimately upheld by the European Court). The proposed provision on compulsory licensing reflected some of these circumstances.

Yet, the final Magill decision and lobbying by database producers persuaded the European legislator that abuses of the *sui generis* right could successfully be opposed by competition law. Thus, it was decided that the Directive did not need a compulsory licensing provision.⁷⁷ Instead, the European legislator considered it sufficient to point to the applicability of competition law in art. 13, and to add a warning against abuses of a dominant position in recital 47. However, the preceding has made it clear that the success in the Magill case so far has been exceptional among the rare cases on information monopolies that have come up before the European Court. This provides a reason to reconsider the alternative of a compulsory licensing regime.

5.3.2 The proposed compulsory licensing regime

5.3.2.1 Introduction

We will now take a closer look at the Directive's original compulsory licensing regime to establish whether it is equal to its task. The proposed provision defines the terms under which licences must be issued with respect to databases protected by the *sui generis* right. The text cited and discussed here is

⁷⁵ Guibault 2002, p. 21.

⁷⁶ Several copyright exceptions have the form of a statutory licence. Guibault 2002, pp. 20-21 explains that under a statutory licence, the copyrighted material may be used without authorisation from the right holder but against payment of an equitable remuneration, which is fixed by the legislator or a regulatory authority.

⁷⁷ On the other hand, it could just as well be argued that the establishment of an abuse in the Magill decision could have presented an argument for introducing a compulsory licensing provision which codified the conditions as required in Magill. Compare Speyart 1996-II, p. 176.

that of article 11 in the 1993 Amended Proposal.⁷⁸ This largely corresponds to art. 8 in the First Proposal of 1992.⁷⁹ We have also added the relevant recitals⁸⁰ and, for comparison, the provisions referring to competition law in the final Directive.

Art. 11

Acts performed in relation to the contents of a database – unauthorised extraction of the contents

1. Notwithstanding the right provided for in Article 10(2) to prevent the unauthorised extraction and re-utilisation of the contents of a database, if the works or materials contained in a database which is made publicly available cannot be independently created, collected or obtained from any other source, the right to extract and re-utilise, in whole or substantial part, works or materials from that database for commercial purposes that are not for reasons such as economy of time, effort or financial investment, shall be licensed on fair and non-discriminatory terms. A declaration shall be submitted clearly setting out the justification of the commercial purposes pursued and requiring the issue of a licence.
2. The right to extract and re-utilise the contents of a database shall also be licensed on fair and non-discriminatory terms if the database is made publicly available by:
 - a. public authorities or public corporations or bodies which are either established or authorised to assemble or to disclose information pursuant to legislation, or are under a general duty to do so;
 - b. firms or entities enjoying a monopoly status by virtue of an exclusive concession by a public body.
3. For the purposes of this Article, databases shall not be deemed to have been made publicly available unless they may be freely interrogated.
4. Member States shall provide appropriate measures for arbitration between the parties in respect of such licences.
5. (...)
6. (...)
7. For the purposes of this Article, commercial purposes mean any use, which is not:
 - a. private, personal, and
 - b. for non-profit making purposes
8. (...)
9. The provisions of this Article shall apply only to the extent that such extraction and re-utilisation does not conflict with any other prior rights or obligations,

78 Amended Proposal for a Council Directive on the legal protection of databases, Brussels, 4 October 1993, COM(93) 464 final. The irrelevant paragraphs of the provision are omitted here.

79 Proposal for a Council Directive on the legal protection of databases, Brussels, 13 May 1992, COM(92) 24 final, *OJEC* 1992 C 156/4. The Amended Proposal added some specifications to art. 8.

80 Their wording and numbering is the same in the First and the Amended Proposal.

including the legislation or international obligations of the Member States or of the Community in respect of matters such as personal data protection, privacy, security or confidentiality.

Accompanying recitals

31. Whereas in the interests of competition between suppliers of information products and services, the maker of a database which is commercially distributed whose database is the sole possible source of a given work or material, should make that work or material available under licence for use by others, providing that the works or materials so licensed are used in the independent creation of new works, and providing that no prior rights in or obligations incurred in respect of those works or materials are infringed.

32. Whereas licences granted in such circumstances should be fair and non-discriminatory under conditions to be agreed with the rightholder.

33. Whereas such licences should not be requested for reasons of commercial expediency such as economy of time, effort or financial investment.

34. Whereas in the event that licences are refused or the parties cannot reach agreement on the terms to be concluded, a system of arbitration should be provided for by the Member States.

35. Whereas licences may not be refused in respect of the extraction and re-utilisation of works or materials from a publicly available database created by a public body providing that such acts do not infringe the legislation or international obligations of Member States or the Community in respect of matters such as personal data protection, privacy, security or confidentiality.

Competition law in the final Directive

Art. 13

This Directive shall be without prejudice to (...) laws on restrictive practices and unfair competition (...).

Recital 47

Whereas in the interests of competition between suppliers of information products and services, protection by the sui generis right must not be afforded in such a way as to facilitate abuses of a dominant position, in particular as regards the creation and distribution of new products and services which have an intellectual, documentary, technical, economic or commercial added value; whereas, therefore, the provisions of this Directive are without prejudice to the application of Community or national competition rules.

5.3.2.2 Discussion of the compulsory licensing regime in the proposed article 11

(a) Single source and new product

When article 11 is compared with competition law as applied by the European Court, both similarities and differences catch the eye. Firstly, the issue of a licence under art. 11 requires that the database at issue is the sole source of the requested information, meaning that the works or materials in the database cannot be independently created, collected or obtained from any other source. This condition is related to the first exceptional circumstance required in

Magill, as well as the essential facilities doctrine in Bronner. On the other hand, unlike art. 82 of the EC Treaty, art. 11 does not require that the single-source producer has a dominant position on a relevant geographic and product market.⁸¹ From this it might perhaps be deduced that invoking art. 11 may more often be successful than invoking competition law. It could be argued that a single-source producer does not necessarily hold a dominant position, as this depends on how narrow the relevant market is defined.⁸² In the Magill case, the public broadcaster RTE argued that every undertaking would hold a dominant position on the market for its own products.⁸³ Govaere objects that this is only true if no interchangeable products are present in, or may enter, the market.⁸⁴ She remarks that a separate market will not be defined, for example, for a particular copyrighted book, as third parties may draw inspiration from its ideas and produce competing products since the copyright merely covers the form in which the ideas are expressed. Still, Govaere states that this is different with copyright in data such as TV listings, because data are inseparable from their form. In this case, no interchangeable product may be put on the market if effective competition is excluded as a consequence of the exercise of copyright.⁸⁵ It may analogously be concluded that a single-source database producer enjoying *sui generis* right will indeed often hold a dominant position in practice.⁸⁶

Magill's new product criterion also appears to be implicit in art. 11. According to recital 31, the requested information must be used for the creation of new works.⁸⁷ Similarly, Magill's new product criterion requires that the undertaking requesting a licence must use the desired information for making a product which is not yet offered by the party from which the licence is sought. However, unlike the European Court in its Magill and IMS Health decisions, recital 31 does not require that there is a potential consumer demand for the new product, which makes it more lenient. Moreover, the fact that the new product criterion is only mentioned in a (non-binding) recital might suggest that it is not as vital as in European competition law.⁸⁸

European competition law can only be invoked by (potential) competitors.⁸⁹ Art. 11 requires that the desired information serves the commercial

81 Van der Wal 1994, p. 234.

82 See Anderman 1998, p. 177. Also see section 5.2.3.1 on the difficulties in determining the relevant markets for information or databases.

83 Before the Court of First Instance in Case T-69/89, ECR 1991, p. II-485, para. 32.

84 Govaere 1996, p. 140.

85 Also see Ullrich 2001, pp. 387-389.

86 Also compare Anderman 1998, pp. 177-179.

87 This is repeated in recital 47 of the final Directive.

88 Otherwise, it should arguably have been placed in art. 11 itself.

89 The European Court either requires that a (secondary) market is reserved by the accused undertaking (Magill, IMS Health), or that the complainant is barred from competition on a primary market (Bronner).

purposes of the requesting party.⁹⁰ Thus, it may not be used for private, personal or non-profit purposes.⁹¹ These requirements show that both art. 11(1) and competition law serve free competition purposes. Consequently, individual users, non-profit organisations or commercial undertakings wishing to use database information for non-commercial purposes cannot request a compulsory licence under art. 11(1), nor invoke art. 82 of the EC Treaty.

(b) *Public availability and commercial distribution*

A compulsory licence can only be issued under art. 11 when the database with the single-source information is publicly available. This means that the database may be freely interrogated.⁹² The Directive's Explanatory Memorandum excludes unpublished private or in-house databases, into which certain sensitive information is collected for private or internal purposes.⁹³ Moreover, recital 31 implies that the database must be commercially distributed, as well.⁹⁴

There may, however, be tension between these two requirements, on the one hand, and the fact that the application of art. 11 is restricted to databases solely protected by the *sui generis* right, on the other hand. Indeed, the Directive's First and Amended Proposal stipulated that the *sui generis* right does not apply to contents already protected by copyright or neighbouring rights.⁹⁵ According to the Explanatory Memorandum, art. 11 does not apply when copyright, neighbouring rights or other prior rights exist in the contents, nor when the contents are subject to contractual arrangements, nor are the object of other legislation or obligations.⁹⁶ Thus, art. 11 no longer applies as soon as single-source producers add copyrighted value to their data, for example, by adding original extra information, which is often done to turn them into marketable databases. At the same time, however, art. 11 prescribes that the database must be publicly available and commercially distributed, which may contradict the foregoing where unprotected (raw) data have been enriched

90 But not for reasons such as economy of time, effort or financial investment, see art. 11(1) and recital 33. Also see the European Parliament session document no. A3-0183/93, p. 21. The Explanatory Memorandum to the First Proposal, p. 51 para. 8.1 gives the example of data obtained by means of an earth observation satellite, while suggesting that a third party should build its own satellite, or that it should try to buy the data from other parties.

91 Art. 11(7).

92 Art. 11(3). Still, the meaning of 'freely' remains unclear. Does it mean 'for free', or that all parts of the database are accessible without limitation? See Chalton 1994, p. 98.

93 Explanatory Memorandum to the First Proposal for a Database Directive, COM(92) 24 final, p. 50 para. 8.1.

94 Remarkably, this requirement was not included in the definition of 'publicly available' in art. 11(3).

95 In conformity with art. 2(5) of the First Proposal of 1992, and art. 10(2) of the 1993 Amended Proposal.

96 Explanatory Memorandum, p. 50 para. 8.1. Also compare art. 11(9). On the other hand, recital 31 seems to suggest (incorrectly) that a copyrighted work may be part of the database contents.

by original information.⁹⁷ Thus, this combination of requirements might well reduce the practical usefulness of art. 11.

Competition law, on the other hand, applies to all exclusive intellectual property rights in information, and also to property rights concerning physical subject-matter. Thus, competition law has a broader scope of application than art. 11, limited as it is to databases solely protected by the *sui generis* right.

(c) *Public bodies and firms with an exclusive concession*

Publicly available databases made by public bodies are explicitly subjected to compulsory licensing in art. 11(2)(a), provided that these bodies are under a legal or general duty to assemble or disclose information.⁹⁸ Chalton remarks that this provision reflects the view that public bodies creating information in pursuance of a public duty should not be permitted to use an exclusive right to reinforce a monopoly in such information.⁹⁹ This view is the more justified by the fact that the collecting and assembling of such information is paid for by public money.¹⁰⁰

Moreover, art. 11(2)(b) stipulates that a compulsory licence also applies to firms or entities which enjoy a monopoly status based on an exclusive concession by a public body. For example, certain undertakings are exclusively designated by the public authorities to collect particular information, such as economic, geographic, or weather information. Interestingly, many Member States already have special laws which impose a legal duty to supply information on former state monopolists such as privatised telecom operators, or for undertakings with a monopoly strengthened by an exclusive concession, such

97 Furthermore, it is questionable whether a single-source producer can be forced under art. 11 to license the unprotected raw data, when this compels him to strip them of their copyrighted added value. Besides, the desired object is often precisely this unique value-added information.

98 The precise scope of this category of public bodies is difficult to define. For example, does it cover institutions which are (largely) financed by the state and serve the public interest such as libraries, archives or museums? The answer depends on whether one follows a functional, financial or legal approach, as was remarked by Kabel/Alberdingk Thijm/Hugenholtz 2001, pp. 63-64.

99 Chalton 1994, p. 98. Moreover, the Explanatory Memorandum to the First Proposal, p. 52 para. 8.2 stated that if a public body enters the private sector by commercialising its database but is under no obligation to do so, it is to be treated like any other database producer in accordance with the general provision on compulsory licensing in art. 11(1). A comparable approach is in art. 10(2) of the Directive on the reuse of public sector information adopted in 2003 (see footnote 105).

100 It is not certain whether art. 11(2) means to merely serve purposes of free competition, or access to information instead. Neither art. 11(2) nor recital 35 mention that a licence may only be requested for commercial purposes. This is indeed required by art. 11(1), but it is uncertain whether it also applies to paragraph 2.

as broadcasting corporations.¹⁰¹ These regulations guarantee that certain products which are considered vital are offered to consumers, such as telephone directories, or radio and television programme guides.¹⁰² Such national laws are often based on European Directives. They have a more limited scope than art. 11(2)(b) because they are restricted to specific information.

Special national regulations also already exist for information created by public bodies under art. 11(2)(a). In many Member States, such information is subject to laws that regulate the conditions for the supply of public documents.¹⁰³ They have been enacted to serve access to information purposes. Unlike art. 11, these national laws often do not cover all information produced by the public sector, but only apply to clearly defined documents such as legal and administrative information.¹⁰⁴

In 2003, the European Directive on the reuse of public sector information was adopted.¹⁰⁵ This aims at a minimum harmonisation of the conditions for the supply of public sector documents¹⁰⁶ in order to limit distortions of competition between companies producing value-added information products and services. It is thus mainly concerned with competition interests. However, unlike art. 11, this directive does not impose a duty to supply; it is for the

101 For example, the French Code des postes et télécommunications imposes a duty on France Télécom to supply requesting parties with a consolidated list of all the information contained in the general telephone directory (the *annuaire universel*) at a price reflecting cost. In the Netherlands, a similar duty for the former state telecom operator KPN is included in the Besluit universele dienstverlening en eindgebruikersbelangen of 2004 (*Staatsblad* 2004, 203). These national regulations are based on Directive 2002/22/EC of the European Parliament and of the Council of 7 March 2002 on universal service and users' rights relating to electronic communications networks and services (Universal Service Directive), *OJEC* 2002 L 108/51, art. 25(2). Also see *KPN Telecom BV v. Onafhankelijke Post en Telecommunicatie Autoriteit (OPTA)*, European Court of Justice 25 November 2004, Case C-109/03, *ECR* 2004, p. I-11273.

102 For example, s. 176 of the British Broadcasting Act 1990 contains a duty to supply radio and television programming information to any person wishing to publish this information in the United Kingdom. Moreover, national regulatory authorities may impose a compulsory licence to provide access to electronic programme guides (EPGs) to ensure accessibility for end-users to digital radio and television broadcasting services, pursuant to Directive 2002/19/EC of the European Parliament and of the Council of 7 March 2002 on access to, and interconnection of, electronic communications networks and associated facilities, *OJEC* 2002 L 108/7, art. 5(1)(b) in conjunction with its Annex I, part II.

103 For the Netherlands, see Van Eechoud/Kabel 1998.

104 For the Netherlands, see Kabel/Alberdingk Thijm/Hugenholtz 2001, pp. 64-66.

105 Directive 2003/98/EC of the European Parliament and of the Council of 17 November 2003 on the re-use of public sector information, *OJEC* 2003 L 345/90.

106 According to art. 2(3), 'document' means any content whatever its medium (written on paper or stored in electronic form or as a sound, visual or audiovisual recording) and any part of such content. Recital 11 states that a public sector document is a document where a public sector body has the right to authorise re-use. The information covered by the Directive is considerably limited, as documents held by public service broadcasters, educational and research establishments (libraries, universities, archives et cetera), and cultural establishments (museums, orchestras, theatres et cetera) are explicitly excluded.

Member States or the public sector bodies themselves to decide whether they allow their information to be reused by others.¹⁰⁷ If they so decide, then they must supply the requested information on the fair, proportionate and non-discriminatory terms prescribed by the directive.¹⁰⁸ Yet, the directive states at the same time that it does not affect the existence or the exercise of intellectual property rights of public sector bodies, including the *sui generis* right.¹⁰⁹ This directive thus seems to contain merely a moral duty for public sector bodies to facilitate the reuse of their information.¹¹⁰ Therefore, it cannot stand comparison with the legal duty to issue a licence under the compulsory licensing regime of art. 11.

More effective alternatives to art. 11(2)(a) are provided by the Dutch Databases Act and a French decree of 2002 which both concern legal databases made by the public authorities.¹¹¹ Art. 8(1) in the Dutch Databases Act stipulates that such databases, on principle, are not entitled to the *sui generis* right. Accordingly, asking for a compulsory licence (and paying for it) is not required for information contained in public databases with laws, orders and resolutions promulgated by the public authorities, legal decisions or administrative decisions.¹¹² However, this Dutch provision does not actually force the public authorities to produce such databases. This is different in France. Since 1996, it has special legislation which imposes a duty on the French government to have legal databases produced and distributed, and to have their contents supplied to third parties.¹¹³ In practice, the government granted a concession to a private publisher to produce these databases. The 1996 decree was abrogated by a 2002 decree,¹¹⁴ which imposes a duty on the French government to produce and make available legal databases containing (inter)national legislation and case law on the Internet.¹¹⁵ Unlike in the Netherlands, however, these French legal databases enjoy protection by the *sui generis* right.

107 See art. 3 and recital 9.

108 For example, art. 6 requires that prices must be so fixed as to recover the public body's costs including a reasonable return on investment.

109 Art. 1(5) and recitals 22 and 24.

110 Also compare recital 9.

111 A discussion of these regulations can be found in section 4.7.6.1.

112 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. Also compare the decision of the Dutch Competition Authority 6 July 2001 (Fiscaal up to Date v. Kluwer), on the Internet: www.nmanet.nl, establishing that since legal judgments are free of copyright, the commercial database producer Kluwer which published specific judgments – which were desired by the claimant – in a legal journal does not hold a dominant position under competition law.

113 Décret no. 96-481 du 31 mai 1996 relatif au service public des bases de données juridiques, *Journal Officiel de la République française* 1996, no. 128 du 4 juin 1996, p. 8216.

114 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.

115 Its official Internet address is <<http://www.legifrance.gouv.fr>>.

Yet, the decree lays down that licences must be issued merely against distribution costs.

5.3.3 Compulsory licensing versus European competition law

5.3.3.1 *Introducing a compulsory licensing provision*

An important reason to support a compulsory licensing provision in the Database Directive is that it allows precise conditions to be formulated as to when a licence should be issued.¹¹⁶ Such detailed conditions may better serve legal certainty than the general competition rule in art. 82 of the EC Treaty which needs interpretation on a case by case basis. Indeed, the European Court has not (yet) formulated a fixed set of criteria for establishing when an information monopoly exercised via a licence refusal amounts to an abuse of a dominant position.¹¹⁷ Therefore, it has been argued that the compulsory licensing provision in the Directive's proposals would have strengthened the position of parties requesting a licence.¹¹⁸ Moreover, such parties would also have the advantage of being able to request a compulsory licence *ex ante*, instead of opposing abuse *ex post* during lengthy court procedures.¹¹⁹ According to Gaster, the European Commission regretted the deletion of art. 11 by the Council for all the same reasons.¹²⁰

Before the introduction of the *sui generis* right, unprotected information could in principle be freely taken from a published database, even when the database was protected by copyright, as long as the original selection or arrangement of its information was not copied.¹²¹ However, information can

116 Also see Hugenholtz 2005, p. 217 who seems to support the reintroduction of a compulsory licensing regime for the same reason. And see Gaster 1999, pp. 141-142, nos. 574-575 remarking that the European Commission for this reason regretted the abolition of the proposed compulsory licensing regime.

117 On the other hand, opponents of a compulsory licensing provision may argue that in applying competition law, a judge is not bound by precise criteria which may be subject to quick outdated and leave no room for weighing the specific circumstances of each case.

118 Hugenholtz 1995, p. 86; Hugenholtz 1996, p. 136; Speyart 1996-II, p. 176.

119 Still, the conditions in a compulsory licensing provision may give rise to interpretation questions which the database producer who is requested for a licence may want to test before the court.

120 Gaster 1999, pp. 141-142 nos. 573-576.

121 In the United Kingdom, databases were often protected by copyright as a result of its low threshold of skill, labour and money, while in France, the courts seemed fairly lenient in considering collections to be original. Moreover, non-original databases still enjoyed *geschriftenbescherming* in the Netherlands, while in the Scandinavian countries, they were protected by the catalogue rule. See sections 3.2.2 to 3.2.4. Even when a database enjoyed copyright, it was not protected against parties who copied and rearranged its contents because the copyright in its original arrangement would thus not be infringed, see recital 38 of the Directive. This could, however, be different with a database which contains an

now be locked up in databases as a result of the introduction of the *sui generis* right. To this it might be objected that insubstantial parts may still be freely taken from a protected database.¹²² However, this freedom of action may not be sufficient where the use of sole-source databases is concerned, nor does it enable the production of value-added (or even similar) databases that can compete with single-source databases of 'first comers'. To conclude, there may indeed be persuasive arguments for the introduction of a compulsory licensing provision in the Database Directive.¹²³

5.3.3.2 Suggestions for the contents of a compulsory licensing provision

The proposed art. 11 in our opinion contains valuable foundations for a compulsory licensing provision for databases. The first is its single source condition. Secondly, its restriction to databases that have been published may also be recommended for adoption. The same may be argued, thirdly, for the condition that the licence must be issued against fair and non-discriminatory terms, which is also known from European case law.

An adaptation may be suggested for the database category to be covered. Art. 11 was restricted to databases solely protected by the *sui generis* right. The current Directive, however, enables an accumulation of copyright protection and *sui generis* protection in the same database. Thus, a new compulsory licensing provision could perhaps be extended to databases protected also by the copyright regime of the Directive. Yet, it could be objected that this extension would thus be made to a protection regime which already existed before the Directive's enactment¹²⁴ and has not previously been subjected

original selection of materials. In that case, the production of a substantially similar database is bound to infringe copyright.

122 Provided, however, that such taking does not cause harm to the producer in accordance with arts. 7(5) and 8(2).

123 However, note that competition law would still fill a need for information monopolies based on other rights than the *sui generis* right, for *de facto* monopolies, and for the rare situations where the information is not incorporated in a database. This may raise the question why a compulsory licence should only apply to information *in databases*, whereas no such licence applies to copyrighted information as such, nor to information subject to a *de facto* monopoly. This may indeed seem arbitrary not only from a competitor's point of view – he does not care whether the information he desires is in a database or not – but also from the angle of the owner of the requested information who will be subjected to a compulsory licensing regime when his information is incorporated in a database, whereas otherwise general competition law applies. Yet, this relates to the fact that the European legislator considered it necessary to introduce a *sui generis* regime especially for databases. Thus, a compulsory licensing regime in the Directive would merely provide a solution for parties who wish to have access to and the supply of information incorporated in databases. Nevertheless, given that most information is nowadays kept in databases, the introduction of a compulsory licensing provision could be welcomed as an improvement in legal certainty when compared with the uncertain outcome of invoking general European competition law.

124 See section 2.1.1.1.

to such a provision. One could also ask whether in practice there is a need for a compulsory licence where the copyrighted structure of a database is concerned. Arguably, this is only the case when a third party wants to obtain a database part which is large enough to display the content's copyrighted structure, and wishes to use it without changing its structure. Consequently, the answer to the question whether the compulsory licensing provision should be extended to the copyright regime may also depend on whether its goal is to enable the production of substantially similar databases or only of new derivative databases.¹²⁵

A complication may also be presented by databases with individual items protected by copyright or other rights owned by third parties. Under art. 11, such rights were left unaffected, which is also recommendable for the compulsory licensing provision proposed here. Rights of third parties should not become void as soon as their works are incorporated in a single-source database and someone else requests a licence for a substantial part which includes these works.¹²⁶ Still, the database will in most cases not be the single-source for items in which others hold rights, so that the compulsory licensing provision would not apply.

Furthermore, consideration may be given to a possible limitation of the commercial purposes required in art. 11 to new products for which there is a potential consumer demand, as in *Magill* and *IMS Health*. The result of this limitation would be that a compulsory licence could only be imposed for the production of a derivative database requiring one's own investment in added value or new contents, and not for producing a substantially similar database.¹²⁷ In the copyright context of the *Magill* decision, several lawyers have stated that it is going too far to impose a licence for similar products because a single-source producer would then be forced to give a potential competitor access to his primary market, thus risking that his product will be pushed aside due to the success of the competitor's similar product. The same may perhaps also be argued for the *sui generis* right as fierce competition could deprive the single-source database producer of the possibility to recover his production costs, while this cost recovery is precisely the function of the *sui generis* right.¹²⁸ It has indeed been advocated that *Magill's* new product condition – including its requirement of a potential consumer demand – should be applied to the *sui generis* right.¹²⁹ The current Directive supports this approach in its recital 47. On the other hand, however, it could be (and has been) argued that the *sui generis* right with its protection of mere investments

125 This issue will be discussed below.

126 Yet, the use of one individual work may be allowed under a copyright exception, while taking one item from a database would not infringe the database's copyright or *sui generis* right. Also see recital 18 and art. 7(4) of the Directive.

127 See Ginsburg 1990, pp. 1930, 1932.

128 Or, perhaps, its 'specific subject-matter', see footnote 32.

129 Ginsburg 1990, pp. 1930, 1932; Van Loon 2004, pp. 90, 92.

has a lower standing than 'real' intellectual property rights, such as copyright, which protect originality.¹³⁰ This distinction might perhaps justify omitting the new product condition in the Directive's compulsory licensing provision.¹³¹ A monopoly based on the *sui generis* right would thus get the same treatment as the *de facto* monopoly in the Bronner decision, where the European Court did not require a new product, either. Omitting the new product criterion would favour free competition over the interests of single-source database producers. However, they would be left with a mere right to compensation, by which their exclusive *sui generis* right would arguably be emptied of its substance.

Finally, in our view, the adoption of certain conditions from article 31 of the TRIPS Agreement would be worth considering. Art. 31 describes the conditions under which the compulsory licensing of patents is permitted. The following would also be useful for a compulsory licensing provision in the Directive. Firstly, before asking for a compulsory licence, the requesting party must have made efforts to obtain a licence from the *sui generis* right holder on reasonable commercial terms and conditions, and such efforts have not been successful within a reasonable period of time.¹³² This was indeed required by several national courts which already had to decide on competition law issues concerning the *sui generis* right.¹³³ Secondly, the right holder must receive a reasonable remuneration, taking into account the economic value of the licence.¹³⁴ Thirdly, the compulsory licence issued must be non-exclusive.¹³⁵

5.4 SUMMARY

The European Court of Justice has not (yet) established a fixed set of conditions which need to be met for a successful claim of abuse of an information monopoly. Moreover, competition law can only be invoked *ex post*, whereas a compulsory licence may be requested *ex ante*. It may thus be argued that

130 See Cornish 1997, p. 441 and Kamperman Sanders 2002, p. 383. See their views in footnotes 59 and 60.

131 However, this distinction argument would not hold true where a database is also protected by copyright. Moreover, a similar database with the same selection and/or arrangement could only be made if the compulsory licence would also extend to database copyright, yet the desirability of this extension may precisely seem questionable in view of the distinction argument. On the other hand, Lemarchand/Fréget/Sardain 2003, pp. 12, 19 argue that copyright in databases is weaker than in really original works expressing the author's personality. Also compare sections 5.2.2.1 and 5.2.3.1 on the 'weak' British copyright in TV listings in the Magill case.

132 Art. 31(b).

133 See section 5.2.3.2.

134 Art. 31(h).

135 Art. 31(d).

European competition law would not provide effective remedies against a single-source database producer who abuses his *sui generis* right by a licence refusal. More legal certainty could instead be attained by a compulsory licensing provision containing precise conditions.

Such a provision was indeed proposed in the earlier versions of the Directive. This article 11 contained conditions for the issue of a compulsory licence which appeared to forebode the exceptional circumstances required by the European Court in the Magill decision. Yet, the conditions under art. 11 seem more lenient in that the new product criterion has only been placed in a recital and no dominant position is required.¹³⁶

Useful conditions for adoption in a new compulsory licensing provision for the Database Directive are the single source condition in art. 11 and its requirement that the database of the *sui generis* right holder has been made available. Furthermore, consideration should be given to the question whether or not to adopt the new product condition formulated in the Magill and IMS Health decisions. Omitting this condition would allow a (potential) competitor to request a licence for the production of a substantially similar database, so that the *sui generis* right holder could face the risk that his database will be pushed from the market by the competing product. It has been argued in the literature that this is unacceptable in situations where the information monopoly is based on copyright and, analogously, should not be accepted for the *sui generis* right, either. Yet, a counter-argument might perhaps be that the *sui generis* right is of a lesser standing than 'real' intellectual property rights, as it protects mere investments. Moreover, a compulsory licensing provision would, in our view, improve with the adoption of several conditions prescribed by the TRIPS Agreement for the compulsory licensing of patents.

¹³⁶ Yet, art. 11 does not (explicitly) mention that there is room for a justification of a licence refusal, unlike Magill in its third circumstance. See, however, footnote 32.

