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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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## 6 | Summary and conclusions

### 6.1 A SPECIAL DIRECTIVE FOR DATABASES

With the introduction of the Database Directive in 1996, the European Commission sought to harmonise protection for databases within the European Union. Until then, the Member States afforded protection to databases in varying ways through copyright and/or unfair competition legislation, and according to the Commission, these differing regimes adversely affected the functioning of the internal market.<sup>1</sup>

Consequently, the Commission drew up a directive for a single product – databases – like it had done earlier for computer programs. It clearly considered the Database Directive as one of the most important adopted so far in the field of copyright and related rights,<sup>2</sup> as the Commission stated:<sup>3</sup>

‘(...) all five directives (...) will have a role to play in this new environment. However, as most new services will be operated from an electronic database available over the networks (on-line) or off-line (CD-Rom, CD-i etc.), the Database Directive is a cornerstone of intellectual property protection in the new technological environment.’

Databases are indeed an essential tool for providing access to information and also for the commercial exploitation of information. Given that the amount of information generated worldwide is exponentially increasing, the importance of databases cannot easily be underestimated and a special directive for them may thus seem to be justified. Ten years after the Directive’s adoption, databases continue to play a vital role and, therefore, it is worthwhile to review the Directive at regular intervals.<sup>4</sup>

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1 Compare recitals 1 to 6 of the Directive.

2 These were the Computer Programs Directive of 1991, the Rental Right Directive of 1992, the Satellite and Cable Directive of 1993, the Term of Protection Directive of 1993, and the Database Directive.

3 Follow-up to the Green Paper on copyright and related rights in the information society, Brussels, 20 November 1996, COM(96) 586 final. Also see recital 9 of the Directive.

4 In art. 16, the Directive prescribes that its application is assessed every three years, which may lead to adjustments. The first evaluation report only appeared in 2005, see the DG Internal Market and Services Working Paper: First evaluation of Directive 96/9/EC on the legal protection of databases, Brussels, 12 December 2005, hereafter referred to as: Evaluation Report 2005.

The bombardment of information to which we are exposed in present-day society is largely enabled by digital technology. This technology combines the advantages of easy reproduction and easy publication with enormous storage capacity. Illustratively, the first two proposals for the Database Directive covered only electronic databases.<sup>5</sup> This clearly illustrates that the fear of the ease of digital copying was one of the main reasons for introducing a special protection regime for databases in the first place. The fact that digital technology enables cheap and easy copying in vast numbers without loss of quality, has urged the industry to call for more protection.

Moreover, this call became more urgent when important judgments were delivered, among which were the American Feist decision and the Dutch judgment in *Van Dale v. Romme I*, which implied a heightening of the threshold for copyright protection for collections. As a result, the lenient 'sweat of the brow' protection of Common Law countries such as the United States was undermined, and with it went the certainty that existing copyright would provide sufficient protection for electronic databases. This caused the European Commission to stress the need for an alternative protection regime.

Nevertheless, copyright was not abandoned for databases because this protection was already prescribed for collections by the Berne Convention and the TRIPS Agreement, as is dealt with in chapter 2. As a *species* of collections, databases are afforded copyright by the Directive under a harmonised criterion – discussed in chapter 3 – which requires the selection and/or arrangement of the contents to be the author's own intellectual creation. Many databases will not enjoy copyright because of their non-original, functional arrangement and/or their comprehensiveness. Therefore, the Directive added another protection regime for the benefit of producers.

In the first chapter of this study, we analysed the coming into being of this new *sui generis* regime for database producers. In four years, it evolved from a protection based on unfair competition merely applying to databases with contents not protected by copyright or neighbouring rights, to an exclusive *sui generis* right akin to an intellectual property right covering databases with both protected and unprotected contents. The *sui generis* protection regime thus underwent a fundamental change which resulted in a considerably stronger protection for producers. A convincing reason for this radical change was, however, not provided in the preparatory documents. Chapter 1 ends with a commentary on all the provisions of the final Directive. Where appropriate, proposals for detailed adjustments were suggested.

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5 Only at a later stage was the Directive amended to cover databases in all forms. This was done because it was considered to be legally unsound to apply different regimes to electronic and non-electronic databases. See sections 1.2.2.1a and 1.2.2.3a.

6.2 JUSTIFICATIONS FOR A *SUI GENERIS* RIGHT FOR DATABASES

The Directive as it was ultimately adopted contains an exclusive *sui generis* right, which is comparable in strength to copyright. It provides protection against extraction and reutilisation for the benefit of the producer who substantially invests in the production of a database. Thus, the *sui generis* right offers protection for an investment instead of for originality. This highlights the economic motives for its introduction, for which producers lobbied to protect their commercial interests.

An important motive for the introduction of the *sui generis* right was firstly the incentive and reward principle already known from copyright law. Giving a producer the possibility to recover his production costs during a restricted period of time stimulates production in general, which is beneficial for consumers and society at large.<sup>6</sup> The need for such protection for databases was already recognised by Lucas as early as 1987.<sup>7</sup> Yet, he added that it was then still uncertain what should be the best form for this protection. It remains to be seen whether the *sui generis* right as adopted in the Database Directive was indeed the most suitable regime for such protection. This is a matter which we will address in sections 6.4 to 6.6.

Secondly, the *sui generis* right was introduced by the European Commission to correct an alleged market failure.<sup>8</sup> Many databases do not enjoy copyright protection and when they do, this does not protect them against the act of presenting the copied contents in a different arrangement.<sup>9</sup> Moreover, with the help of digital technology databases may be copied at a fraction of the cost needed to design them independently.<sup>10</sup> Copying would thus be more attractive than creating, which causes market failure.<sup>11</sup> Indeed, in the absence of sufficient protection against copying, 'second comers' would be able to freely copy from a database in which the first producer substantially invested.

The European Commission put forward yet another important economic reason for introducing a harmonised protection regime for database producers. It sought to stimulate the production of electronic databases within the European Union, which lagged behind the United States, being the world's leading

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6 Compare recitals 39 and 40.

7 Lucas 1987, p. 292 no. 258: 'Le besoin de protection [for databases] est tout aussi réel que pour les logiciels. Il s'explique là aussi par l'impérieuse nécessité de rentabiliser de lourds investissements. Mais il règne encore une incertitude sur l'existence et sur la portée de cette protection.'

8 See recitals 7 and 8.

9 See recital 38.

10 Recital 7.

11 Kamperman Sanders 2002, p. 369.

database producing country.<sup>12</sup> Thus, the Directive was also meant as a support measure for one sort of product. In order for this proactive support measure to be successful, the Commission believed a harmonised regime for producer protection to be indispensable. This follows from recital 12:

Whereas such an investment in modern information storage and processing systems will not take place within the Community unless a stable and uniform legal protection regime is introduced for the protection of the rights of makers of databases.

Conclusive evidence for this statement was, however, not produced during the legislative process. It may in fact be very difficult to demonstrate, given that strong evidence to the contrary is provided by the United States. Indeed, the world's largest database producing country has so far done without the *sui generis* protection adopted in the EU.<sup>13</sup> Economic motives may well be more important for a thriving database industry than the protection afforded by the law.<sup>14</sup> It is also significant that, so far, no international consensus could be reached on the need for a worldwide *sui generis* right for database producers. Illustratively, the Draft Database Treaty which was drawn up by the World Intellectual Property Organisation in 1996 and which contains such *sui generis* protection as yet remains a draft. During subsequent WIPO sessions held on the subject, the EU continued to stress the benefits which its Member States have so far supposedly reaped from the *sui generis* protection; however, without producing facts and figures.<sup>15</sup> Based on figures, however, the 2005 Evaluation Report of the Directive has in fact concluded that the production of databases within the EU has not significantly increased since the Directive's adoption, and that the economic impact of the *sui generis* right on database production is unproven.<sup>16</sup>

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12 Recital 11. Also see Lemarchand/Fréget/Sardain 2003, p. 18 arguing that the EU wants to increase the amount and quality of information goods and services produced (and thus to create a situation of abundance) to satisfy the needs of the users and consumers, by granting an exclusive exploitation right to their producers.

13 Reichman/Samuels 1997, p. 123; Samuelsen 1997, para. III. This argument is often used to question the need for *sui generis* protection in the United States, while it is also argued that the only reason for considering its introduction in the United States is the reciprocity clause in the Database Directive.

14 This was argued by Nicolas Ide in his presentation 'Database Protection Status in Europe' which he held on 18 September 2003 for the 2003 ECLA Conference in Edinburgh.

15 For the November 2002 session of WIPO's Standing Committee on Copyright and Related Rights, the European Community and its Member States submitted document SCCR/8/8 which stated: 'Since the entry into force of the Database Directive, the European CD-ROM and on-line-markets have grown at enormous rates.' Yet, no figures were presented here, nor in later European Community submissions as reported in WIPO documents SCCR/9/11 of 2003 and SCCR/11/4 of 2004. Instead, Maurer/Hugenholtz/Onsrud 2001, p. 790 mention research which discovered that after a quick boost in 1998, European database production almost immediately returned to a pre-Directive level.

16 Evaluation Report 2005, pp. 20, 24.

The motives which the European Commission advanced in 1996 to justify the introduction of a *sui generis* right for databases were thus not very convincing at the time, nor has their truth been proven when looking back. Arguably, the Directive's subject-matter, databases, do not merit such strong protection as afforded by the *sui generis* right. This has been put forward by several French authors.<sup>17</sup> They are right to question whether a banal investment justifies a right comparable in strength with an intellectual property right. It is indeed questionable that an investment which lacks originality as well as novelty, is afforded an exclusive right as strong as copyright, but with less exceptions.<sup>18</sup> A mere investment in money and/or effort arguably does not merit such broad protection.<sup>19</sup>

On the other hand, should one accept that an exclusive right akin to an intellectual property right may protect mere investments, then it could be questioned why such a right should only be available to databases. Indeed, what makes databases so unique that the principle of free competition is thwarted once only for their sake? The above-mentioned motives which the European Commission gave to justify *sui generis* protection for databases may arguably apply to more products than just databases. Computer programs, for example, have been compared to databases in the literature, resulting in several authors arguing in favour of a *sui generis* protection regime for databases and computer programs alike.<sup>20</sup> On the occasion of the drawing up of the European Computer Programs Directive, the suggestion was already made to introduce a *sui generis* protection regime for computer programs. However, this suggestion was not adopted in the final directive of 1991, which chose to afford (merely) copyright to computer programs.<sup>21</sup> Still, producers could well be expected in the future to try and lobby for the introduction of the *sui generis* right or a *sui generis* protection regime for more products than just databases. Given the precedent created in the Database Directive,<sup>22</sup> it could perhaps be difficult for the European Commission to justifiably reject their claims.

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17 Mallet-Poujol 1996-I, p. 10; Pollaud-Dulian 1996, p. 540; Gaudrat 1999-I, pp. 94-95; Edelman 2000, pp. 93 and 94.

18 Reichman/Samuels 1997, p. 86; Colston 2001, para. 3.3.

19 Garrigues 1997, p. 3 observed that it is remarkable that, on the one hand, the Directive rejects the British 'sweat of the brow' threshold for copyright, while, on the other, it introduces a comparable, and even stronger *sui generis* right for the same sweat of the brow, namely investments.

20 Lucas 1987, p. 292 no. 258; Chalton 1993, p. 169; Rowland 1997; Gaudrat 1999-I, p. 87.

21 Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs, OJEC 1991 L 122/42.

22 Compare Samuelsen 1997, para. VI, referring to observations made by Kastenmeier and Remington on the introduction of the American Semiconductor Chip Protection Act of 1984; they recognised that enacting a new industry-specific *sui generis* intellectual property regulation might be seen by other industry groups as a precedent for creating new intellectual property rights for their own industries.

Therefore, it is doubtful in our opinion that the Commission provided sufficient justification for introducing a *sui generis* right especially for databases. Such an exclusive right grants a monopoly, which leads to a restriction of free competition. This may be justified where a well-balanced monopoly is both an incentive and a reward for increased creativity and investments, which in turn serves the public interest. However, because of its restraint on free competition and the progress of science and innovation, a monopoly should not be created and granted light-heartedly. Mr Justice Laddie convincingly argued: 'the basic rule is that no monopoly should exist unless it is shown to be objectively justified'.<sup>23</sup> He did so while criticising the copyright adage advanced in British case law that what is worth copying is *prima facie* worth protecting. We do not support this adage, either. Instead, we agree with Mallet-Poujol who writes that intellectual property rights should remain an exception, and must be reserved only for strictly demarcated creations.<sup>24</sup>

### 6.3 THE DEMARCATION OF THE *SUI GENERIS* RIGHT

When introducing a new right akin to an intellectual property right, it is of the utmost importance to clearly outline its main concepts and boundaries. This is because the effect of a new exclusive right is that it diminishes the scope of the public domain. The *sui generis* right should not snatch away more public domain than is necessary for its desired promotional effects. It is thus vital that the field of application of the *sui generis* right is clearly demarcated from the public domain. In other words, this right needs to be well-defined, not only where it concerns its subject-matter, but also as to its requirement for protection, the scope of its rights, its exceptions, its right holder, et cetera. This is even more important in view of the fact that the *sui generis* right represents a so far unknown regime, which must be uniformly applied within all Member States of the European Union.

It is felt, however, that the *sui generis* right in the Database Directive does not sufficiently satisfy this exigency. Many of its main concepts are not clearly demarcated, so that they leave room for widely varying interpretations. This has also been acknowledged in the 2005 Evaluation Report.<sup>25</sup> To start with, we found in chapter 2 that the Directive uses a very broad definition of a database which consequently accepts far-fetched forms of databases within

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23 Laddie 1996, p. 260.

24 Mallet-Poujol 1996-I, p. 10.

25 Evaluation Report 2005, pp. 11, 12, 24.

its scope. We thus proposed a narrower definition, which excludes collections which are not for information purposes and have not been fixed.<sup>26</sup>

In chapter 4, we discussed several other vague but important concepts of the Directive's *sui generis* protection regime, while also addressing their implementation in the Netherlands, France and the United Kingdom. The case law decided under these transpositions and the literature in these countries were studied, as well. This resulted in a detailed discussion of, firstly, the fairly low threshold of the substantial investment criterion. In order to be protected by the *sui generis* right, the Directive requires a database to bear evidence of a substantial investment in the obtaining, verification or presentation of its contents. This vague criterion led to the coming into being of the so-called spin-off theory, while it induced the European Court of Justice in 2004 to give a narrow interpretation to the term 'obtaining' which excludes costs for the creation of new data.<sup>27</sup> The 2005 Evaluation Report seems critical of the Court's ruling and remarks that its ruling has severely curtailed the *sui generis* protection for non-original databases.<sup>28</sup>

The scope of the *sui generis* right is not unambiguously defined in the Directive, either. The European Court ruled that it covers both direct and indirect extraction and reutilisation. The courts in the countries that we studied clearly have difficulties interpreting the *sui generis* right in practice, especially with intermediaries such as search engines on the Internet.<sup>29</sup> In Dutch and French case law, search engines using deep links have been held to infringe the *sui generis* right. We argued in chapter 4 that intermediaries often do not infringe the *sui generis* right themselves but their users do, and that these intermediaries could perhaps be treated according to the liability rules for service providers as included in the European Directive on Electronic Commerce.

Another vague concept in the Directive is the infringement criterion of the *sui generis* right requiring that a qualitatively or quantitatively substantial part of a database has been used. Dutch, French and British case law have shown that the substantiality of a copied part is sometimes qualitatively assessed according to this part's value for an individual user in a given case.

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26 As for the amount of items which a database must contain, we argue that a database should at least contain so many items that one of them cannot be considered qualitatively or quantitatively a substantial part. This is to avoid the monopolisation of an individual fact or datum by the *sui generis* right, which also is contrary to the Directive's recitals 45 and 46. See sections 2.2.7 and 4.5.2.1.

27 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.

28 Evaluation Report 2005, pp. 13 and 15.

29 The same was remarked in the Evaluation Report 2005, p. 12.



However, this subjective approach seems to be contrary to the approach of the European Court of Justice. It ruled in 2004 that qualitative substantiality relates to the scale of the investments which the producer made in the part's obtaining, verification and/or presentation, while it appears to have rejected that the economic value of a part is relevant.<sup>30</sup>

It has become clear in chapter 4 that the *sui generis* right gives rise to many questions of interpretation, to which the Database Directive does not provide answers.<sup>31</sup> The Directive thus saddles the courts with the difficult task of resolving the Directive's vague concepts themselves. As a result, case law shows diverging outcomes, which is undesirable from a harmonisation point of view. Moreover, an exclusive *sui generis* right with no clear boundaries creates legal uncertainty for both producers and users of databases and poses a threat to the public domain. The interpretations offered by the European Court of Justice are arguably only a poor consolation where an exclusive right is defectively demarcated in the first place.

## 6.4 COUNTERBALANCES

### 6.4.1 Introduction

Granting a monopoly must be preceded by an act of balancing. As Mr Justice Laddie argues, this balancing act should provide an answer to the main question at stake: is the restriction of free competition justified by the benefits which it gives to society at large?<sup>32</sup>

The strength of the protection afforded must thus be justified by and proportionate as to the sort of subject-matter to which it applies and the goal to be reached. The goal of the *sui generis* right is to provide protection against misappropriation of large investments made in the production of databases, which in itself is a justified purpose. However, the form which the Directive chose for this protection may seem disproportionate.<sup>33</sup> The *sui generis* right is arguably over-strong and discriminates against both competitors and non-profit users such as researchers, educational institutions, libraries, museums and archives.

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30 European Court of Justice 9 November 2004, Case C-203/02 (British Horseracing Board Ltd v. William Hill Organization Ltd), ECR 2004, p. I-10415.

31 Mallet-Poujol 1996-I, pp. 9, 10; Koumantos 1997, p. 133; Gaudrat 1998, p. 598; Verkade/Visser 1999, p. 7. Gaudrat argues that the large amount of vague concepts in the Directive are intentional and he imputes this to the process of negotiation which the drafting of European legislation is subjected to, which results in compromises.

32 Laddie 1996, p. 253.

33 For example, Gaudrat 1999-I, p. 89 argues that the *sui generis* right is too narrow on the one side, as it only applies to databases, whereas it is too broad in scope on the other side.

#### 6.4.2 Interests of non-profit users and society at large

The *sui generis* right confers a monopoly to database producers which is comparable in strength to copyright, but is even stronger because it contains less exceptions. The *sui generis* right is thus a plump right<sup>34</sup> which fails to balance the commercial interests of database producers against the public interests of society at large, such as the free flow of information.

More modesty would, however, have suited the database producers in their lobby for a *sui generis* right. This is because no sharp distinction can often be made between producers and users; users frequently are producers of data themselves, on whom database producers depend for compiling their databases. As Conley/Brown/Bryan remark,<sup>35</sup> few databases are made from scratch; producers eagerly fill them with information from the public domain, on which they subsequently claim protection.<sup>36</sup>

In its current state, the *sui generis* right for database producers is predominantly concerned with the commercial interests of the producers and fails to acknowledge the interests of users and society at large.<sup>37</sup> The interests of non-commercial users are indeed not sufficiently guaranteed where the exceptions to the *sui generis* right are concerned.<sup>38</sup> It is especially worrisome in our opinion that the Directive overlooks the important role which educational and scientific institutions, libraries, museums and archives play in

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34 Compare Quaedvlieg 1998-I, p. 437: 'So legislatures have turned into entrepreneurs, trading off legal protection against (the hope for) investments in information technology and creativity. Information industries and legislators concur in a *force de dissuasion* against the user. It is an economic choice which will have economic consequences. Plump rights risk creating and upholding plump market positions.'

35 Conley/Brown/Bryan 2000, p. 49: 'Since few if any producers start from scratch, the process of knowledge production inevitably begins with the consumption of what is already there. This reality is often conveniently overlooked by the database industry and its advocates. Their position is a variation on the pull-up-the-drawbridge argument made by opponents of suburban growth: now that I'm comfortably ensconced in my subdivision, development has to stop. The database version is: I may have stood on the shoulders of those who came before, but no one is going to stand on mine.'

36 Yet, the painstaking effort with which non-copyrighted scientific data are generated is often of more value to society at large than their mere compilation in a database by professional producers. The European Court of Justice has ruled, however, that costs for the creation of data do not count towards the substantial investment required for *sui generis* protection, as opposed to costs incurred in collecting already existing data. If generating scientific data is indeed to be considered as creation, database-producing scientists and universities are arguably put at a disadvantage in comparison to producers who merely compile these non-copyrighted data into a database. Databases made by scientists or universities will have to bear evidence of a substantial investment in their verification and/or presentation in order to still be protected by the *sui generis* right.

37 Also see Bensinger 1999, p. 278.

38 Laddie 1996, p. 259 argues that lobbying for exceptions is difficult because it is often regarded as support for the parasites of industry. He is thus not surprised that the scope of copyright is becoming ever wider.

serving education, research and access to information.<sup>39</sup> Therefore, we argued in chapter 4 for the introduction of the special exceptions which have already been introduced for their benefit in the 2001 Copyright Directive.

#### 6.4.3 Interests of competitors

Every monopoly creates barriers to market entry for new comers. Nevertheless, a monopoly may be justified for reasons of incentive and reward if it eventually benefits the public at large.<sup>40</sup> Indeed, it is only fair to offer a database producer the possibility to recoup his large investments. However, the monopoly granted by the *sui generis* right may well be too strong. A copyright-like exclusive right for an investment arguably does not stimulate the production of competing or derivative databases. This may be illustrated by the following. Firstly, the threshold for protection by the *sui generis* right – a substantial investment in a database – is fairly low, while with the current state of digital technology, it is an easy task to put information in a database. Indeed, almost all information is nowadays kept in a database, which may restrict the public domain.<sup>41</sup> Secondly, the criterion of infringement is fairly lenient, as well. It prohibits the taking of the whole database or a quantitatively or qualitatively substantial part thereof. The assessment of substantiality leaves room for the courts to consider even small parts as substantial, proof of which can indeed be found in the case law.<sup>42</sup> Thus, the *sui generis* right is over-protective for the sole benefit of the producers, and may even risk monopolising individual data.<sup>43</sup>

Moreover, free competition is hindered by the fact that the *sui generis* right forms an obstacle for competitors to make similar databases and derivative databases to which new value is added. Still, recital 47 of the Directive states:

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39 Also see Gaudrat 1999-II, p. 414.

40 Kamperman Sanders 2002, p. 384.

41 As soon as a certain amount of specific information may be regarded as a substantial part of a database, it may no longer be taken, but must be extracted in insubstantial parts from several databases, provided that these even exist. Moreover, the European Court of Justice ruled that indirect extraction is also covered by the *sui generis* right, which could imply that its protection follows the information itself (including individual items) instead of the database, see section 4.4.2.2. In section 1.5.3.2 we argued that copyright in a database in fact also extends to the very information itself.

42 Even one item may be regarded as qualitatively substantial if measured by the importance which the user in question attaches to it. Compare Colston 2001, para. 4.1 and Samuelson 1997, para. V, referring to 'the one right pearl of information in a vast ocean of data'. However, the European Court in 2004 appeared to have ruled against this approach, as it could result in the monopolisation of individual data contrary to recital 46. Also see footnote 26.

43 Compare footnotes 41 and 42.

‘in the interest 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’.

Indeed, a database producer who is the single source of certain information may totally block market entry for other producers who wish to make new derivative databases or substantially similar databases. This *de facto* monopoly of single-source producers<sup>44</sup> has now been strengthened by a *legal* monopoly by means of the *sui generis* right.

To oppose abuses of the *sui generis* right by sole-source producers, the first proposals for the Directive contained a compulsory licensing provision, which we discussed in chapter 5. However, this provision was deleted in the final Directive, while referring to remedies to be provided by competition law.<sup>45</sup> Instead of balancing private and public interests within its own scope, the *sui generis* right thus simply leaves this balancing act to competition law.<sup>46</sup> Nevertheless, article 16(3) prescribes that on the occasion of the Directive’s review every three years, it should be examined in particular:

‘whether the application of the *sui generis* right has led to abuses of a dominant position or other interference with free competition, which would justify appropriate measures being taken, including the establishment of non-voluntary licensing arrangements.’

The danger of abuses of the *sui generis* right has been reduced since the European Court of Justice ruled in 2004 that creation costs may not be taken into account for the required substantial investment. As a result, databases by producers who create the database contents themselves risk not qualifying for the *sui generis* right. According to the critical 2005 Evaluation Report, the Court’s ruling would put to rest any fear of abuse of a dominant position by single-source database producers, and the report thus does not undertake a study of the desirability of reintroducing a compulsory licensing regime.<sup>47</sup>

However, the risk of abuses of information monopolies based on the *sui generis* right has in our view not entirely disappeared under the Court’s ruling.<sup>48</sup> Moreover, several justified objections may be made against its

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44 Yet, they may enjoy a legal monopoly on their information if this is protected by copyright or other rights.

45 See the end of recital 47.

46 Gaudrat 1998, p. 599

47 Evaluation Report 2005, p. 14. Instead, it makes suggestions (p. 26) to reformulate the *sui generis* right so as to considerably neutralise the Court’s ruling, see section 6.6.

48 Also see Hugenholtz 2005, p. 216.

stance.<sup>49</sup> In chapter 5, we therefore studied the possible remedies for abuses of a dominant position by way of European competition law and compulsory licensing. An advantage of competition law is that it may be invoked against all refusals to license information, whether based upon a *de facto* monopoly or an intellectual property right. Moreover, it does not distinguish between information incorporated in a database or loose information. An important objection, however, is that the possibility of successfully invoking competition law is difficult to predict because the European Court's case law on information monopolies is scarce, and no such case law exists as yet on the *sui generis* right. Furthermore, the conditions that must be met for a successful claim of abuse of an information monopoly have not yet been definitively determined by the European Court of Justice. Moreover, competition law can only be invoked *ex post*, while the claimant will often face long and costly litigation before the courts. These disadvantages may present compelling arguments for the reintroduction of a compulsory licensing provision in the Database Directive. In chapter 5, we made suggestions for the contents of such a provision.<sup>50</sup>

## 6.5 ALTERNATIVE WAYS OF PROTECTION

### 6.5.1 Technological measures, contract law, et cetera

In the literature, the *sui generis* right is often criticised for its over-strong protection. Moreover, since the WIPO presented its Draft Database Treaty in 1996, the need for worldwide database protection by way of the European *sui generis* right remains a matter of dispute.<sup>51</sup> A worldwide introduction of this right is thus not shortly to be expected. Here again, the stumbling block is the excessive strength of the *sui generis* right, an objection which has also been raised against several American bills on database protection.<sup>52</sup> An understandable reluctance is felt against adopting a new right without a proven track record.<sup>53</sup>

Several authors indeed question the need for additional database protection besides copyright and they point to other ways in which databases may be

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49 See sections 4.2.3.8, 4.2.3.10 and 5.1.

50 Also see section 6.6.

51 See Gaster 1999, pp. 670-671.

52 The subsequent U.S. bills have moved to and fro between a European *sui generis* right approach and an unfair competition approach. See on several of these bills, for example, Reichman/Samuelson 1997, pp. 102-109; Samuelson 1997; Gaster 1999, pp. 671-679; Lenseink 1999, pp. 270-274; Colston 2001, para. 5.3; Aalberts 2002, pp. 43-44; Kamperman Sanders 2002, pp. 377-383; Davison 2003, pp. 190-216; Trosow 2005; Band 2005. Also see the U.S. Copyright Office report 1997.

53 Moreover, as discussed above, the Evaluation Report 2005 concluded that the *sui generis* protection has had no proven impact on the database production within the EU, which has not significantly increased.

protected against misappropriation. These ways were also used in Europe before the Database Directive was adopted. Since legislation is slow to develop, producers have protected their databases through technical solutions which create barriers to access. In 2001, the Copyright Directive introduced a prohibition to circumvent technological measures by which databases are protected.<sup>54</sup> A drawback of such technological protection is that it may impede the legitimate use made of a database on the basis of the legal exceptions.<sup>55</sup>

There are also legal ways to control database use. For example, regulation concerning trade secrets is sometimes used to protect unpublished databases.<sup>56</sup> However, this is not suitable for databases which have been made available. Contract law is then more adequate. However, contracts only have effect between the contracting parties; third parties are not bound by them. Moreover, it is disputed what conditions must be met in Europe in order for shrink-wrap and click-wrap licences accompanying offline and online electronic databases to be enforceable.<sup>57</sup>

Under the Database Directive, contract law still remains important for specifying its many vague concepts. In fact, as Mallet-Poujol remarks, contracts containing use conditions remain the most important means by which producers grant 'lawful users' access to their databases.<sup>58</sup> Surpassing these use conditions causes liability for breach of contract.

Because the legal regimes just described have their shortcomings, new regimes have been suggested to take the place of the *sui generis* right. For example, Garrigues proposed to abolish the Directive's two-tier regime of copyright and *sui generis* right and to protect databases solely by a neighbouring right.<sup>59</sup> However, abolishing copyright would conflict with the copyright for collections as is prescribed, on a compulsory basis, by the Berne Convention, the TRIPS Agreement and the WIPO Copyright Treaty. Lipton argues for the introduction of a protection regime based on patent law.<sup>60</sup> This would require registering a database for a certain market, while the administering body should verify that no databases are already registered for the same or a similar market. In our view, this restricts competition too much as it prohibits the production of both competing and derivative non-competing databases.

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54 Art. 6. See Koelman 2003 on the subject of the protection of technological protection measures.

55 See Koelman 2003, pp. 103-104.

56 Contracts which stipulate confidentiality may also be used.

57 See, for example, Westerdijk/Van der Klaauw 1991; Koelman 1998, pp. 113-118; Girot 2001, pp. 285-301; Scheltema/Tjong Tjin Tai 2003; Stuurman in Franken/Kaspersen/De Wild 2004, pp. 89-91.

58 Mallet-Poujol 1996-I, p. 11.

59 Garrigues 1997, p. 4. Also see Rowland 1997, para. 2a.

60 Lipton 2003, pp. 143-144.

Reichman and Samuelson favour a minimalist, pro-competitive *sui generis* regime for databases, based on refined liability principles.<sup>61</sup>

### 6.5.2 Unfair competition

Protection against the misappropriation of another's investment is in several countries – with the exception of the United Kingdom<sup>62</sup> – traditionally provided by the tenet of unfair competition. Many authors argue that there is no need for the *sui generis* right because protection by unfair competition is adequate for databases.<sup>63</sup> Interestingly, recital 6 of the Database Directive states that the *sui generis* regime was introduced due to a lack of harmonised legislation or case law on unfair competition. The first proposals for the Directive in fact contained a *sui generis* regime in the form of an 'unfair extraction right' founded upon the tenet of unfair competition, as we pointed out in chapter 1.<sup>64</sup> For example, it was only infringed when parts of a database were reused for commercial purposes. A comparable criterion, which requires harm inflicted upon the producer's commercial interests, can still be found in the final Directive's *sui generis* right in articles 7(5) and 8(2).<sup>65</sup> This harm criterion is also characteristic of the tenet of unfair competition.

However, a successful claim for unfair competition would usually require meeting still more conditions.<sup>66</sup> Important factors in weighing the unfairness of the conduct are, for example, the way in which the copied part has been used in another product, or whether there is confusion between products.<sup>67</sup>

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61 Reichman/Samuelson, pp. 145-151. They designed a regime characterised by a blocking period to recoup investments. During this term, preferably shorter than 15 years, no one may take the whole contents of the database or a substantial part. This strictness is weakened by an automatic licence, which can only be invoked against single-source producers. After the blocking period, a second term starts during which anyone may profit from the licence; everyone is then free to take contents from the database provided that the producer is paid a reasonable compensation. This regime should be subject to public interest limitations concerning science and education, or a compulsory licence could be adopted for such purposes.

62 An unfair competition regime is absent here but, instead, the courts apply several forms of tort. Compare De Vrey 2006, pp. 79-80 and 203-207.

63 Mallet-Poujol 1996-I, pp. 12-13; Pollaud-Dulian 1996, pp. 454, 546; Reichman/Samuelson 1997, p. 138; Samuelson 1997, para. V; Grosheide 1998, pp. 60-62; Lucas 1998, p. 76 no. 161; Gaudrat 1999-I, p. 88; Cornish 2003/1999, pp. 34-40; Maurer/Hugenholtz/Onsrud 2001, p. 790; Hugenholtz in the Nauta Dutilh Report 2002, p. 467.

64 See sections 1.2.2.1b to 1.2.2.1d.

65 Mallet-Poujol 1996-I, p. 12. As Pollaud-Dulian 1996, p. 541 remarks, the *sui generis* right thus represents a hybrid between unfair competition and an intellectual property right.

66 The conditions for protection against unfair competition vary among the Member States.

67 See the circumstances mentioned by Gaster 1999, p. 111 no. 430. Also compare the weighing factors which Reichman/Samuelson 1997, pp. 142-143 propose for an unfair competition approach for databases.

These extra requirements, above harm, ensure that only parasitic behaviour is sanctioned and that free competition is not unnecessarily restricted so as to hinder building on earlier products. Thus, unfair competition enables the courts to take account of and to weigh the circumstances of each case, which is beneficial to potential competitors.<sup>68</sup> Yet, it is true that the requirements to be met may greatly vary between countries. In France, for example, the tenet of *agissements parasitaires* seems fairly lenient, whereas the Dutch requirements are not easily fulfilled.

The *sui generis* right, on the other hand, does not incorporate such checks and balances. Gaster states that unfair competition protection for databases is unsatisfactory because of the additional circumstances which it requires for unlawfulness.<sup>69</sup> However, the lack of such conditions is precisely the reason why it is the *sui generis* right that may be considered unsatisfactory. Gaster stresses that the weighing of interests on a case by case basis as required by unfair competition leads to unpredictable outcomes.<sup>70</sup> It is true that an exclusive right which may be transferred and licensed provides more legal certainty as to its scope to producers, competitors and users. Yet, Mallet-Poujol rightly argues that the outcome of cases on the *sui generis* right are as unpredictable because of the many vague concepts which this right contains.<sup>71</sup>

The European Commission rejected the possibility to protect databases by unfair competition because this tenet is not harmonised within Europe and is largely based on case law.<sup>72</sup> Whereas Pollaud-Dulian argues that the Directive should have seized the opportunity to harmonise unfair competition law for databases,<sup>73</sup> the Commission stated that it would not be possible to harmonise unfair competition in general in the Member States through a sectoral directive on a single product.<sup>74</sup> Yet, the Directive in its article 13 still leaves room for the protection of databases by unfair competition, next to the *sui generis* right.<sup>75</sup>

Another objection which the European Commission put forward against database protection by unfair competition is that it can only be invoked against

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68 Kamperman Sanders 2002, pp. 373 and 393. He writes on p. 373: 'The elasticity of the liability rule-based doctrine of misappropriation/unfair competition facilitates the assessment of fact (...) in a way that property rule systems cannot.'

69 Gaster 1999, pp. 110-111 nos. 429-431. He objects that the mere copying of an unprotected product in which money and effort was invested cannot be unlawful without the presence of extra circumstances. On the other hand, Lucas 1998, p. 77 no. 161 argues that it is not admissible to establish as a general principle that using another party's work is in itself an unlawful act.

70 Gaster 1999, p. 111 no. 432. Also see Reichman/Samuelson 1997, p. 138.

71 Mallet-Poujol 1996-I, p. 12.

72 Explanatory Memorandum to the Directive's First Proposal, p. 36 para. 5.3.9. Also see Gaster 1999, p. 110 nos. 426-427.

73 Pollaud-Dulian 1996, p. 545.

74 Explanatory Memorandum to the Directive's First Proposal, p. 36 para. 5.3.9.

75 See section 4.6.6 on the possibility of both claims being awarded in the same case.



competitors,<sup>76</sup> whereas the Directive aims to cover acts by individual users, as well.<sup>77</sup> In the digital environment, users easily become exploiters of information themselves. For example, when a non-profit user such as a library makes a database on a CD-ROM available on the Internet, this may well harm the database producer's investment because there is a serious danger that the library's online version will substitute for the offline CD-ROMs and thus will cause a drop in sales. However, if the term 'competitor' is broadly interpreted in an unfair competition context, such acts may arguably also be opposed to.<sup>78</sup> On the other hand, acts by non-profit users or other parties which do not harm the producer's commercial interests should be permitted. This principle seems, however, not to be recognised by the *sui generis* right, which presupposes an infringement as soon as a substantial part is taken, although this taking may perhaps not have inflicted significant harm upon the producer's interests.

Another drawback of unfair competition law for producers is that it can only be invoked *ex post*.<sup>79</sup> By then, a misappropriator's cheaper database might already have pushed the original database from the market. Instead, *ex ante* protection by an exclusive right provides for a specific period of time in which the producer can recover his investments. Restricting such protection to a limited period is arguably beneficial to competitors, as well; a disadvantage of unfair competition law is indeed that its protection is not limited to a fixed term. The same objection has, however, been made against the potentially perpetual length of the *sui generis* right for databases which are constantly updated.

## 6.6 EVALUATING THE *SUI GENERIS* RIGHT

The 2005 Evaluation Report concluded that three objections may be made against the *sui generis* right. Firstly, its scope is unclear because its main concepts lack clarity. Secondly, granting protection to non-original databases is perceived as locking up information, especially when this information is taken from the public domain. Thirdly, the economic impact of the *sui generis* right is unproven, given that it has not led to a significant growth in database

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76 With the exception of the French tenet of *agissements parasitaires* which can also oppose non-competitors. See chapter 4 footnote 607.

77 Recital 42. Also see the Explanatory Memorandum to the Directive's First Proposal, p. 36 para. 5.3.10.

78 Compare Kamperman Sanders 2002, pp. 381-382: 'Most unfair competition acts and case law around the world and the WIPO *Model Provisions on Protection Against Unfair Competition* use a wide notion of competition for the purpose of market regulation, addressing also acts where there is no direct competitive nexus, but where the plaintiff's primary market is nevertheless directly and fundamentally affected.'

79 Compare Gaudrat 1999-I, p. 88.

production within the European Union. The revisions which the Evaluation Report proposes are fairly rough. It presents four options:

- 1 repealing the Directive as a whole;
- 2 withdrawing the *sui generis* right;
- 3 amending the *sui generis* right provisions;
- 4 maintaining the current Directive.

The report does not seem to support the first two options as it is reluctant to abolish the harmonised copyright regime, and it acknowledges that database producers would prefer to retain the *sui generis* protection. With regard to the third option, the revisions suggested in the report merely seek to reduce or nullify the effect of the European Court's ruling, for example, by reformulating 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' or by clarifying what actually constitutes a substantial investment in either the obtaining, verification or presentation of the database contents.<sup>80</sup> Yet, it concludes that such a reformulation could carry the risk of introducing still other untested notions which will not withstand the Court's scrutiny. In our view, this only stresses the importance of clarity when introducing a new right in the first place. The report's argument for the fourth option is an economic one; despite its unproven effect, keeping the *sui generis* right in place might be less costly than allowing the Member States to revert to prior forms of legal protection for non-original databases. The subsequent consultation round among stakeholders showed that the preferred options were 3 and 4.<sup>81</sup> Ultimately, it was decided in Brussels not to make any revisions to the current Directive but to await its next evaluation.<sup>82</sup>

The Evaluation Report in our view rightly identified the above three objections to the *sui generis* right. It may be regretted that such a strong exclusive right could be introduced on the mere basis of an *assumed* need. Moreover, the *sui generis* right is ambiguous in that it forcibly tries to combine the

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80 Evaluation Report 2005, p. 26. Another suggestion was to clarify whether the right's scope would only cover 'primary' producers of databases (whose main business is to collect and assemble information which they do not create themselves) or would also include producers who produce databases as a 'secondary' activity, or spin-off, from their main activity. However, in section 4.2.3.4, we mentioned that the Dutch spin-off theory has been criticised precisely for its failure to provide clear criteria to distinguish between spin-offs and main products.

81 Reactions could be submitted until 31 March 2006, while 55 were received; 31 were sent by database producers, 13 by the academic world including library associations, and 8 by users, mainly consumer organisations and betting companies. See <[http://ec.europa.eu/internal\\_market/copyright/prot-databases/prot-databases\\_en.htm](http://ec.europa.eu/internal_market/copyright/prot-databases/prot-databases_en.htm)>.

82 David Baervoets of the European Commission's DG Internal Market and Services D1 (Copyright and the knowledge-based economy) kindly informed us about this in an e-mail dated 6 December 2006.

characteristics of an exclusive intellectual property right with those of a mere protection of investments. If the choice is indeed made to retain this right, its lack of clearly-defined concepts should preferably be remedied. The European Court of Justice spoke out in 2004 on several of the Directive's concepts. Still, the interpretations which it has provided are not all beyond dispute, nor easy to apply in practice.

Moreover, an important fourth objection is that the *sui generis* protection is disproportionately strong. As a result, the *sui generis* right not only puts non-profit users at a disadvantage, but it also unduly stifles the flow of information needed for sound competition in information products. Leaving the protection of databases to the tenet of unfair competition, as several authors have advocated, is tempting where one argues that a mere investment is too thin to deserve an exclusive right akin to an intellectual property right. On the other hand, it is true that an exclusive right has several advantages over the protection offered by the tenet of unfair competition. A right which *ex ante* enables a database producer to recover his investments during a limited period of time, may be preferred above protection *ex post*. Moreover, another advantage of an exclusive right is that it may be opposed to both contracting parties and third parties. The *sui generis* right in the Directive offers both advantages, but its current protection is too strong and one-sidedly favours producers. It should instead bear evidence of internal checks and balances by taking into account the public interests of free competition and the free flow of information.<sup>83</sup>

To guarantee a level playing field for competitors, it is advisable to equip the *sui generis* right with a compulsory licensing regime applying to sole-source producers. Database producers who are the single source of certain information might otherwise be tempted to abuse their legal monopoly by refusing to license their database's contents. As competition law does not seem to provide adequate remedies, several authors rightly argue for the introduction of a compulsory licensing provision in the Database Directive.<sup>84</sup> The compulsory licensing provision to which single-source producers were subjected in the first proposals of the Directive we believe was too detrimental for them. It should, for example, be considered whether or not to adopt the new product condition. Omitting this would favour free competition by allowing a (potential) competitor to request a compulsory licence for the production of a similar database. Otherwise, a compulsory licence may only be issued for

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83 Kamperman Sanders 2002, p. 393: '(...) the ever-strengthened position of the rightholder [of an intellectual property right] ought to be checked and balanced by criteria that go beyond an economic calculus.'

84 Hugenholtz 1996, p. 136; Speyart 1996-II, p. 176; Reichman/Samuelson 1997, pp. 86-87; Colston 2001, para. 6; Derclaye 2004, pp. 410 and 411. Maurer/Hugenholtz/Onsrud 2001, p. 790 propose a compulsory licence merely for single sources of synthetic data. They define synthetic data as data which are not collected from the outside world but generated, such as telephone numbers.

the production of derivative databases requiring one's own investment in added value and new contents. Furthermore, the compulsory licensing provision should only apply to single-source databases which have been made available to the public. Moreover, it is advisable to adopt certain safeguards from art. 31 of the TRIPS Agreement, which contains the conditions under which the compulsory licensing of patents is permitted. Regrettably, such a compulsory licensing provision can only extend to information in databases and does not apply to *de facto* monopolies.

Compulsory licences may, on the basis of competition law, merely be invoked by competitors. To ensure the free flow of information for the benefit of non-competitors, we advocated an extension of the amount of exceptions. Non-profit users such as educational and scientific institutions, libraries, museums and archives are currently left in the cold by the Directive, in spite of the vital role they play in education, research and access to information. The Directive should adequately acknowledge their importance for society at large. Therefore, we argued for adopting the exceptions which the Copyright Directive introduced for the benefit of such institutions.<sup>85</sup> Furthermore, worthy of consideration is the adoption in the Database Directive of an exception which ensures access to (law) databases made by the public authorities, by denying these databases copyright and the *sui generis* right. Moreover, the compulsory exception for temporary reproductions without economic significance should also be adopted from the Copyright Directive.

The *sui generis* right in its current state we believe is not proportionate. Its over-strength and vague concepts could, however, be remedied by making several revisions to the Database Directive. In this study, we hope to have designed useful proposals for such revisions.

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85 These exceptions should be applicable to both copyright and the *sui generis* right. Moreover, it might perhaps be considered to make them compulsory to implement instead of optional, and/or even non-overridable by contract.

