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The European Database Directive Sets the Worldwide Agenda

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Your company has just spent a substantial amount of time and money over the last year compiling a database of all libraries in the world which have Internet connections, or a database verifying the names, e-mail addresses, telephone numbers, and biographies of every cardiologist in the world, or a list of every beach in Massachusetts with warm water (admittedly one of the world's shortest lists) to meet even the most finicky child's objections. Until now, you would probably not, other than in the United Kingdom, have been able to prevent a competitor from copying these compilations word-for-word, especially if the compilations were in print. But the adoption by the European Union of the Directive on Databases promises to entirely change the legal status of databases, not just in the European Union, but on a worldwide basis.

Background: Protection of Databases in the "Bad Old Days"

Copyright law in the United States and most other countries has traditionally protected original creations which exhibit at least a minimum level of creativity. The contents of databases which were merely compilations of facts or information were therefore not protected by copyright law because they did not reach the minimum level of creativity. In the 1991 case of Feist Publications v. Rural Telephone Service, the U.S. Supreme Court held that a company could copy the contents of a competitor's telephone book because telephone listings organized alphabetically show no creativity.

The United Kingdom and Ireland are the two notable exceptions where the copyright law does adopt the so-called "sweat of the brow" doctrine. Database makers who invest a substantial amount of resources (i.e., "sweat") creating or updating a database will receive copyright protection for the contents, even if the database exhibits no originality. Nordic countries and the Netherlands also provide some protection to catalog makers and those who create products with little originality; these producers may prevent unauthorized reproduction of the contents of catalogs.

In 1988, against this background the European Union began to consider a measure to provide a standard level of legal protection for databases. The intent was to encourage investment in the information industry by creating certainty that the database would be protected from slavish copying by competitors. The result was the Directive on the Legal Protection of Databases, adopted by the EU Parliament and Council on March 11, 1996. Each of the 15 Member States is required to implement the Directive into national law by January 1, 1998.

"Sui Generis": A New Category of Intellectual Property Right

The EU Database Directive establishes an entirely new intellectual property right, called a "sui generis" right (from the Latin "of its own kind"). This right takes its place next to its older siblings of trademark, copyright, and patent. Under the Directive, database makers can, for a period of 15 years from the completion of the database, prevent unauthorized extraction and re-utilization of the contents of the database.

Which Databases Are Protected? A database which will benefit from the sui generis right is described as "a collection of independent works, data, or materials arranged in a systematic or methodical way and individually accessible by electronic or other means." Databases may include any type of information, such as text, sound, images, numbers, facts, or data. It is for this reason that commentators have also referred to the Directive as the "Multimedia Directive." To be protected, the contents of the database must be "individually accessible."

Electronic and print databases are covered. Electronic media specifically include CD-ROMs, CD-I, and online services. The extension to print databases is a significant expansion from the earlier drafts of the Directive, which only covered electronic databases.

Who May Enforce the Right? Database Makers Who Make a Substantial Investment

A database maker who may benefit from this Directive is one which takes the initiative and the risk of investing in the database, and invests a substantial amount of time, effort, or money in obtaining, verifying, or presenting the contents of the database. The Directive's definition of database maker is broad enough to perhaps even include companies such as SilverPlatter, which present data, but do not compile it.

The Directive explicitly excludes subcontractors from the definition of "database maker." This is a double-edged sword. It makes it clearer that EU companies which subcontract for data entry keying to companies located in places such as the Philippines, China, and India still are considered the database maker for purposes of the Directive. On the other hand, it makes it more difficult for companies located outside the EU to claim EU residence by subcontracting to companies located in the EU.

With regard to the rights of employees, the Directive takes a different approach. It defers to the national law of the Member States to determine the rights of employees in databases they create. As employees rarely take the economic risk of investing in the database, however, an employee's claim that he/she has rights under this Directive would be weak. Furthermore, nothing in the Directive prevents a Member State from passing a "work-made-for-hire" law, which provides that the employer alone has all rights to a database created by an employee in the execution of his/her duties.

What will constitute a "substantial investment"? The Directive does not provide much guidance on this, other than to indicate that compiling a few recordings on a music CD is not a substantial enough investment. Nevertheless, since the Directive's purpose is to encourage the expansion of the European database industry, it is reasonable to assume that any investment above a token amount will suffice.

"Get Thee to the EU"

One of the most controversial aspects of the Directive is that database makers must be nationals of an EU Member State, or have their habitual residence in the Union, in order to obtain the benefit of the sui generis right. U.S. database producers lobbied the Commission unsuccessfully to remove this provision, and ironically adopted a similarly high-handed provision in the Semiconductor Chip Protection Action of 1984. In that law, the US protected mask works fixed in semiconductor chip products only if the owner of the mask work was a national or domiciliary of the US, or if the foreign country had adopted similar legislation protecting mask works.

The Directive cautions that companies cannot obtain EU residence for purposes of the Directive by simply establishing an office in the EU. The operations must be genuinely linked on an ongoing basis with the economy of a Member State.

The EU can extend the sui generis right to databases made in third countries. It is expected that the EU will only do this for database makers located in countries which provide a similar level of protection, but there are no countries in the world at present which do. By this mechanism, the EU has created a lever to force all other major database producing countries to pass similar legislation.

What Rights will EU Database Makers Receive?

The sui generis right permits EU database makers to prevent the "extraction" and "re-utilization" of all or a "substantial part" of the database, measured qualitatively or quantitatively. Extraction is aimed more at a

user's private use; re-utilization is directed more toward distribution, including by competing commercial organizations. Since extraction includes the permanent or temporary transfer to another medium, and on-screen display of a database often necessitates such a transfer, it is covered by the Directive.

The Directive does not define what constitutes a "substantial part" of a database. It does prevent users from circumventing the "substantially" requirement by making repeated and systematic extractions of insubstantial parts.

Term of Protection

Database makers can prevent unauthorized copying for 15 years from the date of completing the database or making it available to the public. Substantial changes to the database will cause a new 15-year period to run. It is not clear whether the rolling 15-year period will protect the entire database, or just the revised portions. Again, since the Directive's intent is to protect the economic interests of database makers, I would expect that the better interpretation is that if the changes are substantial enough to warrant a new 15-year period of protection, then this should cover the entire database. This would also simplify the proof and enforcement issues. The practical result of this interpretation would be that dynamic databases, which are frequently updated, will have perpetual protection. Static or historical databases, or archive databases, which may be of equal value, will only benefit from 15 years of protection.

What Happened to the Rights of Researchers, Libraries, and Users?

The Directive grants rights to database makers by means of the sui generis right, but leaves it to Member States to provide for exceptions to this right. (These exceptions would be roughly equivalent to the "fair use" exceptions under US copyright law or "fair dealing" exceptions under UK law.) Member States may enact such exceptions, however, to the sui generis right within narrow parameters: users can extract a substantial part of a database for teaching or non-commercial scientific research, for public security, or for a judicial proceeding. Users can also extract a substantial part of a non-electronic database for private purposes, but may not extract a substantial part of an electronic database for private purposes. In summary, since the exceptions to the sui generis right are somewhat narrower than the "fair use" defenses to copyright infringement, the sui generis right provides more protection to database makers than the copyright regime does for copyrightable materials.

The earlier drafts of the Directive contained provisions for compulsory licensing. In the face of publisher objections, this provision was eventually removed. The Commission will, in 2001, and every three years thereafter, report on the impact of the Directive, and in particular whether it has interfered with free competition and whether compulsory licensing should be recommended.

H**armonized Copyright Protection Under the Directive**

Although the copyright provisions of the Directive are less dramatic than the sui generis right, the Directive instructs Member States to harmonize the copyright protection available in the EU. To be eligible for copyright protection, the selection or arrangement of the contents must be the result of the author's own intellectual creation. Member States may not apply other criteria. In very rough terms, this will mean that a greater level of creativity will be needed for a database to obtain copyright protection in the UK and Ireland, while it will be easier to obtain copyright protection in the other EU countries, where selection or arrangement alone did not necessarily permit copyright protection. In practical terms, however, the terms "selection" and "arrangement" are broad enough that courts of each individual country may well fall back on their traditional copyright concepts. The result would be copyright law still remaining far from harmonized.

Implications of the Database Directive

Worldwide Impact. The Directive's impact will rapidly spread beyond the 15 Members States of the EU. First, it will be extended to other European countries. Assuming the Joint Committee of the European Economic Area ("EEA") raises no objections, the Directive will be implemented in the three countries of the EEA-- Norway, Iceland, and Liechtenstein. As the Directive is in the field of intellectual property, the countries of Central and Eastern Europe and Turkey are obliged, or will be strongly encouraged, to adopt similar legislation under their bilateral agreements with the EU.

Second, it has sparked a rapid response in the United States, the location of the world's largest database industry. US database makers realized that they would be disadvantaged if the United States did not adopt legislation similar to the sui generis right. Accordingly, in May 1996, only two months after the passage of the EU Directive, Rep. Carlos Moorhead, Chairman of the House Judiciary Subcommittee on Courts and Intellectual Property introduced H.R. 3531, the Database Protection and Intellectual Property Antipiracy Act of 1996. This act is largely similar to the EU Database Directive. The main differences are as follows:

The term of protection is 25 years;

- There are no explicit exceptions which permit users to extract a substantial part of the database;
- Although extractions of insubstantial parts of databases are permitted, it allows parties to enter contracts to alter these (and other) rights. Database makers could, by contract, prevent any extraction of databases. This is different from the EU Directive, which does not allow the parties to enter into contracts which undermine the rights of users to the data-bases; and
- It includes controversial provisions imposing penalties for circumventing copy-protection systems or database management information systems.

No hearings have been held on this bill, nor has a companion bill been introduced in the Senate. Partly because its legislative fate is unclear, US proponents of database legislation have been working on the parallel track of proposing a new International Treaty on Intellectual Property in Respect of Databases. The terms are similar to HR 3531. This draft treaty was supported by the US delegation to the World Intellectual Property Organization Conference in Geneva, held December 2-20, 1996. This draft treaty has engendered significant opposition from the library community, exemplified by the letter of protest dated November 7, 1996, to Dr. John Gibbons, Assistant to President Clinton for Science and Technology, from the Association of Research Libraries, American Library Association, American Association of Law Libraries, Medical Library Association, and Special Libraries Association.

One of the most dramatic aspects of this whole process is how quickly one group's laws (in this case the EU Database Directive) could lead to an international treaty. This is especially surprising considering that not one country has any experience as to the actual impact of the Directive. Considering how difficult it is to amend international treaties, it would seem that the more prudent course would be to gain experience under the Database Directive and the laws of other countries before adopting an international treaty. In fact, the WIPO Conference in December 1996 chose not to take any action on the Database Treaty, partly because it was believed that the issues had not been sufficiently considered.

Less Harmonization Than Meets the Eye.
The impact of the Directive is somewhat dependent on how stringent the penalties will be for violations. The Directive does not set the penalties; this is left to the Member States. The penalties need to be meaningful enough that the Directive accomplishes its purpose.

More Databases?
It will be interesting to see if the EU Directive leads to a greater number and variety of databases. That of course is the intent of the Directive.

Increased Employment in the EU.
The Directive is a not-too-subtle attempt to force companies to establish or expand operations in the EU. If the Draft Treaty is not adopted at future WIPO proceedings or similar legislation is not passed by major database-producing countries like the U.S., non-EU database makers will have a strong economic incentive to ensure that the databases are created in an EU country. Since the burden of proof will be on the database maker, companies should assure that good records are maintained as to the location of the database's production.

Recommendations to Database Makers
Database makers bear the further burden of proving that a substantial investment has been made to create or modify a database in order to benefit from the sui generis right. Therefore, records of the time, money, or ideas contributed to the database need to be maintained in order to assure the company can benefit from the Directive.

Since the Database Directive does not specify whether employees or employers have the rights in the databases, employers would take special care that all employees and contractors enter into agreements assigning to the company the rights in the database created.

The Future
There are a number of positive aspects to the EU Database Directive. There is no question that new concepts are required for dealing with the electronic age. A number of commentators have pointed out the difficulties in applying the existing copyright/trade secret/patent trio--which were developed to deal with tangible goods--to the world of computers and digital information.

The introduction of the sui generis concept represents a first attempt to create new concepts for the new era. The speed with which US publishers have reacted to the EU initiative points to the ability of this Directive to create waves far beyond European shores.

On another note, the Euro-centrism represented by the EU initiative and included within it may seem inappropriate and out of place. It reminds us of the proverbial Congressional bill with port tacked on for the folks back home. In fact, this is not much different from one state's laws or practices having an impact far beyond its borders.

Since companies will need to set up offices in the EU or lobby their national governments to pass legislation granting similar rights to the sui generis right, this has forced this issue onto the worldwide political agenda. And in an Information Economy, when the national boundaries are increasingly porous, this may be the Directive's most enduring contribution.