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## EU Leads World Towards Database Protection

*Despite US objections, international sui generis system is needed.*

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The controversy began when the European Commission first proposed an EU Directive that would protect collections of data.<sup>1</sup> Now that the final text of the Directive has been published,<sup>2</sup> the controversy has moved to a higher level.

The issue is now whether such protections for databases should be created worldwide.

Many in the US are strongly opposed to such protections.<sup>3</sup> The idea that the US should learn from Europe and adopt European standards seems to be a heresy for some American politicians. Ideology and nationalism are obscuring the reasonable need for sui generis protections.

Some in the US are particularly annoyed because the EU's Database Directive grants protection on only a reciprocal basis; and since the US does not provide sui generis database protection to EU companies, US companies cannot receive this protection in the EU. This reciprocal requirement creates pressure on the US to adopt sui generis protection.

US partisans object to this type of pressure. However, the US is notorious for aggressively using the threat of trade sanctions<sup>4</sup> to pressure other countries to increase their IP protections and to open their markets to American IP products.<sup>5</sup> The US should not be surprised that a similar strategy is being used by the EU to induce other countries to provide greater protection for databases.

This disagreement between the US and the EU is most unfortunate. There is a clear need to safeguard databases, and such safeguards would best be established on a global basis.

### Copyright falls short

Existing copyright law does offer some protection for databases, but this protection is insufficient. According to Article 2(5) of the Berne Convention,<sup>6</sup> collections of literary or artistic works such as encyclopedias and anthologies are protected "by reason of the selection and arrangement of their contents." Similar provisions are found in Article 10(2) of TRIPS and Article 5 of the new WIPO Copyright Treaty.<sup>7</sup>

Consequently, only the original way of structuring a database is protected by copyright. Extracting parts from a database is usually not infringement, because it usually does not affect the structure of the database.

National courts have recently made it harder for databases to claim protection under national copyright laws; the courts have raised the level of creativity required for a work to receive copyright protection. For instance, the German Court of Appeal in Frankfurt has promoted the concept that telephone directories on a CD-ROM cannot be protected against reproduction under copyright or competition law.<sup>8</sup>

In *Feist Publications Inc. v. Rural Telephone Service Co.*,<sup>9</sup> the US Supreme Court abolished the "sweat of the brow" doctrine in the USA; the difficulty of collecting data no longer entitled such data to US copyright protection. This decision greatly increased the need for a new sui generis right for databases.

### Three sui generis systems

Databases have received protection outside copyright law, but such legal rights have also proved too flawed and limited.

Germany, for example, has used principles of competition law to create sui generis protection for databases.<sup>10</sup> This only prevented a competitor from using substantial parts of a database for commercial purposes -- i.e., from reselling large parts of the database. The competition law did not prevent internal use of databases created by others.

Sui generis protection has also been offered under the Catalogue rule, which the Scandinavian states added to their Copyright Acts in the 1960's.<sup>11</sup> For instance, Section 71 of the Danish Copyright Act provides that catalogues, tables, and similar works which compile a large number of items shall be protected for 10 years after publication. These works are protected only against reproduction and identical imitation.

The Catalogue rule, like the EU directive, recognizes the producer as the right holder, and protection is available even if a collection displays no creativity and no mark of the creator's individuality. Even collections of addresses and facts (e.g., telephone books) are protected so long as they contain a sufficient amount of data. Because the Catalogue rule protects only collections of large amounts of data, this rule does not protect compilations of music and films.

The EU Directive on database protection was largely the product of Jens Gaster -- one of the most brilliant copyright experts the European Commission ever had.<sup>12</sup> The Directive expands upon the protections given by the Scandinavian states' Catalogue rule.

The Directive protects all collections of data, in both electronic<sup>13</sup> and non-electronic formats, other than music compilations. It contains no explicit requirement that a protected database contain a large amount of data. Finally, it protects databases against not only reproduction, but against any method of making the work public (aside from public lending) or transferring the work (or parts thereof) onto another medium.

### **Too much protection?**

Many people fear that the EU Directive creates an artificial monopoly in information and thus neglects the interests of users in having appropriate access to the benefits of a global information infrastructure. People with such fears have presumably never read the text of the Directive.

The EU authorities intended the Directive to protect a substantial investment "in either obtaining, verifying, or presenting the contents."<sup>14</sup> In Recital 40 of the Directive, the standard of protection is described in more detail as an investment consisting in "the deployment of financial resources and/or the expenditure of time, effort and energy."

Thus not every collection is protected, but only those which have been created by the "sweat of the brow" -- i.e., which involve substantial time, effort, or money. It will be up to the national courts to decide which investments are substantial and which are not. The courts will therefore determine the extent of the new sui generis right.

The Directive also grants users a variety of rights.<sup>15</sup> Users are allowed to extract and re-use insubstantial parts of a database. It is left to national courts to determine how much data will constitute a "substantial" part of the work. One piece of data is clearly insubstantial, and it is probable that portions of a database will be deemed insubstantial so long as these portions, in themselves, could not qualify for database protection.

Substantial parts of a database can be used for teaching, scientific research, public security, and (in the case of non-electronic data) for private purposes. "Private purposes" means any use made by the user in his own private surroundings for his own private purposes.

Unfortunately, the European Commission failed to clearly indicate whether the traditional national copyright law exceptions<sup>16</sup> also apply to this new sui generis protection.<sup>17</sup> As Jens Gaster stated in oral hearings, this seems to be a kind of regulatory mistake which can lead to problems in implementing the directive. It is now up to the member states to decide whether existing exceptions can be applied to the new sui generis protection.

The different implementation drafts made in France, Germany, and the UK demonstrate that the scope of exceptions are going to be different in each member state. This does not well serve the creators and users of databases. As the European Commission has already stated, there needs to be discussions on establishing a uniform European standard of exceptions.<sup>18</sup>

### **Beyond the EU**

The EU Directive on database protection is not only applicable in the EU. It must also be implemented in the additional states of the European Economic Area (i.e., Iceland, Liechtenstein, and Norway).<sup>19</sup>

Central and Eastern European States have also agreed to provide for an equivalent level of protection by December 31, 1999. Therefore, the Database Directive applies at least indirectly in 30 countries.

Even in the US, some politicians have recognized the need for sui generis protection of databases. The first bill to create such protection was introduced in the US Congress last Spring,<sup>20</sup> and a counterproposal was introduced shortly thereafter.

If the US fails to enact sui generis protection, US database producers will not be able to avail themselves of the protections of the EU Directive. European companies that can make use of this Directive will be in a better position to compete and prosper.

There have been calls for the creation of a global system for protecting databases. Delegates to the WIPO Diplomatic Conference in December 1996 clearly expressed their interest in examining the possible implications and benefits of a sui generis system of protection of databases at the international level.<sup>21</sup>

If the nations of the world hope to create a global information infrastructure, it is essential they create globally harmonized standards for protecting databases. As the Internet continues to grow, cross-border use of information is becoming the rule. Rules governing the local use of information are becoming less important.

If the US were to follow Europe's lead in creating an international standard for protecting databases, American pride might be injured. However, there will be economic and legal benefits for all creators and users of databases -- including Americans. These economic and legal benefits should more than compensate for a minor slight to US national pride.

(1) OJ No C 156 of 23 June 1992.

(2) Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996, OJ L 77/20 of 27 March 1996.

(3) Several representatives of the US Government have expressed great anger about the fact that the European Commission introduced sui generis database protection on a reciprocal basis. See the general considerations of Von Simson, "Feist or Famine -- American Database Copyright as an Economic Model for the European Union," 1994 Brooklyn Int'l L.J. 729.

(4) Sanctions are available under §301 of the 1988 Trade Act (Special 301).

(5) Silke van Lewinski, "Urheberrecht als Gegenstand des internationalen Wirtschaftsrechts," 96 GRUR Int 630, 636.

(6) The Berne Convention for the Protection of Literary and Artistic Works (Paris Act, 1971).

(7) This new WIPO treaty was adopted on December 20, 1996.

(8) Court of Appeal of Frankfurt, Decision of 29 October 1996 - 11 U 44/95, Wettbewerb in Recht und Praxis 1996, 1175.

(9) 499 US. 340 (1991) (to qualify for copyright protection, a work must be the product of a minimal level of creativity, so there can be no copyright protection for the mere alphabetical listing of names in the white pages of a telephone directory).

(10) See Ralf Jersch, *Ergänzender Leistungsschutz und Computersoftware*, Munich 1993.

(11) Cf. Gunnar Karnell, "The Nordic Catalogue Rule," in Egbert J. Dommering and P. Bernt Hugenholtz (eds.), *Protecting Works of Fact*, at 67 (Deventer 1991).

(12) See Jens Gaster, "La protection juridique des bases de données," *Revue des Marché Unique Européen* 1997 (forthcoming 1997); Jens Gaster, "Der Rechtsschutz von Datenbanken im Lichte der Diskussion zu den urheberrechtlichen Aspekten der Informationsgesellschaft," *ÖSGRUM* 1996, 15 et seq; Jens Gaster, "The EU Council of Ministers' Common Position Concerning the Legal Protection of Databases: A First Comment," 1995 Ent. L.R. 258.

(13) For instance, databases on CDS and CD-ROMs are protected.

(14) Directive 96/9/EC, Art 7(1).

(15) *Id.*, Art. 8. Further exceptions to database protection are listed in Article 9 of the Directive.

(16) These traditional exemptions are listed in Article 6(2)(d) of the Directive.

(17) However, the Directive does specifically indicate that the Scandinavian countries can use their traditional exceptions to the

(17) However, the Directive does specifically indicate that the Scandinavian countries can use their traditional exceptions to the Catalogue rule in order to limit the reach of the Directive See Recital 52 of the Directive.

(18) See Follow-Up to the Green Paper published by the European Commission in November 1996, KOM (96) 568 final at 9.

(19) Decision 59/96 amending Annex XVII to the EEA Agreement.

(20) Bill HR 3531 (104th Congress, 2d session).

(21) Recommendation concerning databases adopted by the Diplomatic Conference on December 20, 1996, CRNR/DC/100.

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