

Chapter 2

The Argument for a Database Directive in Europe

The enactment of the Database Directive saw a number of arguments. Available copyright protection for databases was not considered adequate in Europe.¹ This was primarily on two grounds. First, there was no express legal provision suggesting that electronic databases were covered under copyright; and second, copyright protection was limited to the original selection or arrangement of contents in a compilation.² This meant that the contents were left unprotected. It was further believed that electronic databases for commercial use would be comprehensive and less selective in nature. Therefore, the Database Directive looked to rectify the situation by harmonizing copyright protection for databases in Europe.³ Contents that remained unprotected under copyright received a new layer of protection through the enactment of database right. Unlike creativity for copyright, database right does not require producers to prove investment to “protect the contents” of their database.⁴ Therefore, the Database Directive formed a novel incentive for producers to invest. Although incentive was identified for producers, there was not much evidence to suggest that such incentive was truly required. According to the first evaluation report of Database Directive, economic impact of the database right was unproven.⁵ Thus, the justification of having a Directive was challenged with a high degree of seriousness. Besides the argument that copyright would not be an effective incentive for the production of electronic databases, the first draft proposal to the Directive considered the impact of the US Supreme Court decision in *Feist*

¹Commission, ‘Proposal for a Council Directive on the legal protection of databases’ COM (92) 24 final (COM (92) 24 final), para [2.2.5].

²ibid 30.

³ibid 30.

⁴Council Directive of 1996/9/EC of 27 March 1996 on the legal protection of databases [1996] OJ L 77/20 (Council Directive 96/9/EC), art 7.

⁵‘DG Internal market and services working paper: First Evaluation of Directive 96/9/EC on the legal protection of databases’ (Commission of the European Communities, 12 December 2005) available at <http://ec.europa.eu/internal_market/copyright/docs/databases/evaluation_report_en.pdf> (accessed 31 October 2016) (First Evaluation of Directive 96/9/EC), para. [1.4].

Publications v. Rural Telephone Service (Feist).⁶ The decision led to believe that copyright would not be effective in protecting electronic databases that are comprehensive in nature.⁷ This book will only concentrate on the justification of considering *Feist* case as an argument and attempt to identify its footprints on the overall structure of the Directive. Before looking at the *Feist* case and its overall impact in the United States, this chapter gives a background to the arguments that were considered before enacting the database directive in Europe.

2.1 Suggesting Protection for Databases in the First Draft Proposal

Long consultation process for the Database Directive in Europe began with the Green Paper in 1988, and ended with the introduction of the first draft proposal in 1992.⁸ Favouring the database right, the proposal highlighted the potential of the database market in Europe. The Commission considered that online databases of European origin included 25% of databases in the world, in comparison to the US share of 56%.⁹ This figure was an improvement from figures that existed ten years prior to the proposal. Back then, online databases of European origin only accounted for one-tenth of the size of the US database market.¹⁰ The online information market of Western Europe was valued at 2.4 billion US dollars.¹¹ In the background of the visible growth an argument for a new incentive in the form of a *sui generis* right is questionable.¹² While the European database market was growing, the inclusion of an additional incentive was suggested to accelerate the rate of production of European databases. The proposal, however, did not connect additional requirement of an incentive with some degree of empirical evidence.¹³

The Commission believed that the European database industry needed to adapt newer technologies to facilitate manipulating and storing large quantities of data to remain internationally competitive.¹⁴ The then existing legal database industry

⁶499 US 340 (1991).

⁷COM (92) 24 final, para [2.3.3].

⁸COM (92) 24 final; Commission, 'Copyright and the Challenge of Technology' (Green Paper), COM (88) 172 final (COM (88) 172 final).

⁹The explanatory memorandum referred to the "Panorama of EC Industry 1990", COM (92) 24 final, para [1.1].

¹⁰*ibid.*

¹¹*ibid.*, para [1.1].

¹²*ibid.*

¹³Miriam Bitton, 'Exploring the European Union Copyright Policy through the lens of the Database Directive' (2008) 23(4) Berkeley Tech LJ 1411, 1426.

¹⁴COM (92) 24 final, para [2.1.2].

showed the benefits of storing vast amounts of information electronically, which helped in providing a better and effective service.¹⁵

The proposal identified ‘electronic information services’, ‘bibliographic databases’, ‘electronic databases’, ‘real-time financial information services’ and ‘full-text databases’ as the future of database industry.¹⁶ The delivery media for these services were online American Standard Code for Information Interchange (ASCII) databases,¹⁷ video texts,¹⁸ CD-ROM databases¹⁹ and audio text²⁰ and broadcasting.²¹ Contrary to the observation made in the proposal that these media were hardly competitive at an international level, Reuters a UK based company was dominating the world real-time information market, including currencies, stocks, bond futures and other financial instruments.²² In fact, Europe was only behind US in the information services sectors with the largest home market in comparison to United States and Japan.²³

In Europe, nine out of ten databases were only accessible in the language of the member state where such database was produced. Only 52% of those databases were in English. UK production was between 30 and 50% of the total number of ASCII databases produced in the community.²⁴ With a 15% world-wide share,

¹⁵ibid, paras [1.2] and [1.3].

¹⁶ibid, para [2.1.4].

¹⁷“American National Standard Code for Information Interchange, a standard code for the interchange of information between computer systems, data communication systems, and associated equipment. Since it is a standard code (rather than one developed by a particular manufacturer) it allows equipment of different manufacturers to exchange information. It is thus widely used.”, John Daintith and Edmund Wright, ‘The Facts on File Dictionary of Computer Science’ Infobase Publishing, 2004, 11.

¹⁸“Videotext is a communication medium which can be used for a variety of purposes: games, entertainment, advertising, E-Mail, transactions, information retrieval.”, COM (92) 24 final, para [2.1.11].

¹⁹CD-ROMs has the “ability to record a huge mass of Information on a small compact disc which can be retrieved with a PC...”, COM (92) 24 final, para [2.1.14]; “CD-ROM today covers a wide variety of applications, from diagnostic programmes, computer graphics via cartography and full-text encyclopaedias. The size and the fields covered vary greatly from country to country.”, COM (92) 24 final, para [2.1.15].

²⁰Audio text provides an “interactive access to information and telephone communication services”. The user accesses the interactive information service by using the twelve keys on his telephone, COM (92) 24 final, para [2.1.18].

²¹Broadcasting includes “data transmission by radio relay channel, i.e. ground-based TV networks, satellite or FM radio sub carriers, and is an alternative method of supplying electronic information services”, COM (92) 24 final, para [2.1.17].

²²Reuters Holdings 1992 Annual Report and Accounts, (ICC REPORT NO: 091653, December 31, 1992); Charles R McManis, ‘Database Protection in the Digital Information Age’ (2001-2002) 7(1) Roger Williams U L Review 7, 30.

²³Commission, ‘Report from the Commission to the Council, The European Parliament and the Economic and Social Committee on the Main Events and Developments in the Information Market 1993-1994’ (COM (95) 492 final), s 3.

²⁴COM (92) 24 final, para [2.1.5].

Europe was lagging behind in the production of CD-ROM databases, while US was the market leader covering almost 56% of world-wide production.²⁵ The proposal predicted a bright future for the European CD-ROM database industry, since the number of CD titles on databases was expected to grow from 750 in the year 1989 to 6000 by the end of 1992.²⁶ There was similar expectation with the new delivery media comprising of audio text and broadcasting. The proposal predicted that the revenue of audio text service had the potential to increase by 300–400% with an appropriate regulatory authority in place.²⁷ Video text service was the only medium that already had a strong foundation with Europe as the market leader.

The Commission feared that the growth and future prospect of the European database industry would face severe threat from the problem of fragmentation that existed due to technical, legal and linguistic barriers in the member states.²⁸ This problem would ultimately hinder free movement of information services in the community and create further obstacles for the European database industry. Although this problem culminated because of three issues in the member states, as a counter measure, a legal solution was proposed. The Commission believed that the existing legal anomalies would fail to provide enough incentive for database producers to invest towards databases and thus, it would be difficult for Europe to keep up with the requirement of the community and to compete internationally.²⁹ Moreover, foreign databases can meet the demand of the European and international market to the detriment of the European database industry.³⁰ Figures and circumstances surrounding the potential European database industry provided the initial reason for proposing the incentive of database legislation.

2.1.1 Database Production and Legal Structure in Europe

The proposal stated that for increasing international competitiveness, database manufacturing should not be limited to the boundaries of the member states. In the backdrop of the linguistic barrier, there was concern with the production of databases that were in English language.³¹ Further, the proposal also identified technical

²⁵ibid, para [2.1.4].

²⁶ibid.

²⁷The market of audio text was valued at 300 million European currency unit (ECU) in 1989 and was predicted to reach to 1,200 million ECU by 1993, ibid, para [2.1.19].

²⁸ibid, para [2.1.3].

²⁹The legal issues have been considered in section 2.1.1; ibid, para [1.4].

³⁰ibid, para [1.4].

³¹Commercial databases used in business and scientific communities are in English and not in Portuguese, Finnish, Danish or Hungarian, Estelle Derclaye, 'Intellectual property rights on information and market power – comparing European and American protection of databases' (2007) 38(3) IIC 275, 297.

barriers relating to infrastructural problems that were affecting production of databases in Europe.³²

While the Commission identified legal incentive as a solution to tackle fragmentation, it is possible that such solution would not be ideal under the circumstances. There was lack of reasoning or argument to suggest that incentive via legislation may overcome the problem of fragmentation.³³ For instance, the evaluation report, which will be discussed later, questions the growth of the database market in Europe despite the presence of legislative incentive.³⁴ This indicates that legislation may not be an ideal solution for problems that existed in Europe. One has to note that at the time of the proposal there was investment towards the legal database industry in Europe, although there were no similar signs of investments in other industries.³⁵ Therefore the argument that incentive was necessary for the overall growth of the database industry in Europe fits in well. There is, however, a possibility that the development of database industry is to a great extent market driven. The proposal already has stated the immense potential of the database market.³⁶ An adequate market may act as a far greater incentive for the industry than incentive via legal rights. In fact, the US database market showed steady growth over the years without a special database right.³⁷ The producers invested in the US despite the fact that there were special incentives in Europe.³⁸ This indicates that the nature of incentive required for the database industry may be different from just introducing a legal right. A possible approach in the European context would have been to study the nature of incentive for the database industry prior to laying down the right.³⁹

On the contrary, it could be argued that the legal incentive was the only alternative to resolve the fragmentation problem. Linguistic barrier may not be removed, since the origin of such barrier is in the diverse culture of the European community.⁴⁰ However, if the future demand was with databases accessible in English, the

³²Bitton (n 13) 1424; McManis (n 22) 29-30.

³³Anyways there was less confidence with legislation in absence of any evidence, Bitton (n 13) 1424.

³⁴First Evaluation of Directive 96/9/EC, para [4.2.3].

³⁵COM (92) 24 final, paras [1.2] and [1.3].

³⁶*ibid* 2.

³⁷There may not be any additional incentives required to fundamentally initiate production of databases. This is clear from the annual reports and production of databases in US, *Infra* Chapter 4.

³⁸“Nevertheless, as the figures discussed below demonstrate, there has been a considerable growth in database production in the US, whereas, in the EU, the introduction of “sui generis” protection appears to have had the opposite effect. With respect to “non-original” databases, the assumption that more and more layers of IP protection means more innovation and growth appears not to hold up”, First Evaluation of Directive 96/9/EC, para [5.2].

³⁹Absence of empirical evidence has always been an issue, Bitton (n 13) 1426.

⁴⁰European Commission, Press Release: Winners of 2015 European Border Breakers Awards (EBBA) for pop, rock and dance music unveiled (Brussels/Groningen, October 14, 2014) available at <http://europa.eu/rapid/press-release_IP-14-1135_en.htm?locale=en> (accessed 30 December 2016).

Commission could have proposed specific incentive instead of creating a legal incentive for all databases.⁴¹ The technical barrier resulted because of infrastructural problems associated with the European market. Digital revolution and the development of internet happened in the US before Europe and helped towards the development of the US economy.⁴² In the course of time, development of internet led to the business of e-commerce.⁴³ These initial developments provided US with a competitive edge over the European database market. There was no such projection in the draft proposal stating how long this advantage of the US market over the European market would have lasted. Therefore, the Commission had a choice between setting up incentives for the European database producers to overcome the initial hurdles or think of something similar to the standard of protection which is available now. Whatever the thinking was at the time of the proposal, the Commission only intended to offer limited protection to producers.⁴⁴

2.1.2 *Protecting Electronic Databases*

As an incentive to database producers, there was a proposal for two separate levels of protection for databases.⁴⁵ According to the Commission, the existing legal barrier resulted because member states protected databases differently.⁴⁶ For databases, certain degree of copyright protection existed in most member states, alongside protection under unfair competition law and catalogue rule in some States.⁴⁷ In order to curb legal barriers, the Commission warranted copyright as a starting point for harmonizing database law in Europe.⁴⁸ As to the option of harmonizing unfair competition law, it was pointed out that the structure of such law was vastly different in the member states with the example of no unfair competition law in the United Kingdom.⁴⁹ Under the circumstances it was felt that it would not be worthwhile to only harmonize the law concerning unfair competition for databases without harmonizing the existing law in Europe.⁵⁰

In the background of a potential electronic information market, it was reasoned that existing copyright protection in member states may not be adequate in protecting electronic databases. There was no express provision for protecting such

⁴¹Major databases should be accessible in English, Derclaye (n 31) 297.

⁴²Bitton (n 13) 1424.

⁴³McManis (n 22) 29-30.

⁴⁴*Infra* Chapter 7, section 7.1.

⁴⁵COM (92) 24 final.

⁴⁶The catalogue rule was only limited to Scandinavian countries, *ibid*, para [2.2.10] 16.

⁴⁷*ibid* 16 and 36.

⁴⁸*ibid* 36.

⁴⁹*ibid* 36.

⁵⁰*ibid*.

databases under copyright law.⁵¹ Even if implicit protection was present, there was considerable uncertainty due to existing differences in originality standard for copyright protection.⁵² Under these circumstances, member states would apply different threshold standards before determining copyright protection for a database. Therefore, a particular database may receive protection in one member state, while remaining unprotected in others.⁵³ The standard of originality with respect to a particular work was an outcome of different levels of creativity in common and civil law jurisdictions.⁵⁴ On one hand there was the threshold of sufficient labour, skill or judgement with effective parameters being time spent and effort expended. On the other, originality threshold in civil law jurisdictions required an independent touch in terms of uniqueness attached to the work.⁵⁵ The work in question should reflect author's individuality, which means that expending labour and time was not sufficient to merit copyright protection.⁵⁶

In the opinion of the Commission, uncertainty in copyright protection would not incentivize production of electronic databases. Thus, harmonization of available copyright protection for databases was proposed.⁵⁷ According to the Article, copyright protection is only afforded to a database, "...for the way the collection has been made, that is, the personal choices made by the author in selecting or in arranging the material and in making it accessible to the user".⁵⁸ This harmonization formed the first tier of protection under the Database Directive.⁵⁹

Although harmonization ensured copyright protection for original selection or arrangement of contents in a database, such protection was not extended to the contents themselves. The Commission saw future electronic databases as a

⁵¹The word 'database' was not present in legislations and collection of data was expressly protected in few member states like UK and Spain, *ibid*, para [2.2.3]; The legislations of the member states based on Article 2.1 and 2.5 (copyright protection to Literary or Artistic Work or as collections) of the Berne Convention may not be same as protecting electronic databases comprising of compilation of data in an online environment, *ibid*, para [2.2.4].

⁵²More detailed analysis about the threshold standards in the member states are in chapter 5, First Evaluation of Directive 96/9/EC, para [1.1].

⁵³COM (92) 24 final, para [2.2.5].

⁵⁴*ibid*.

⁵⁵*ibid*.

⁵⁶*ibid*.

⁵⁷This was also in accordance with art 2.5 of the Berne Convention "Collections of literary or artistic works such as encyclopedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations shall be protected as such, without prejudice to the copyright in each of the works forming part of such collections", 'Berne Convention for the protection of Literary and Artistic Works', (WIPO) available at <http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html> (accessed 21 December 2008); *ibid*, paras [3.2.1] and [3.2.2].

⁵⁸*ibid*, para [3.2.2]; In this context, there is no explanation of the threshold of creativity related to an author and this issue has been analyzed in chapter 5.

⁵⁹Council Directive 96/9/EC, art 3.

comprehensive and extensive resource where the scope of selection may be narrow or negligible.⁶⁰ In some instances, there may not be any scope for either selection or arrangement like in the case of a telephone directory arranged in an alphabetic order.⁶¹ While original selection or arrangement in such databases would come under copyright, technically there was nothing concrete to stop downloading of the contents from an electronic database.⁶² A particular competitor may not face any hindrance from copying the contents, and re-sell it as a part of his own product.⁶³ To the detriment of a database producer, there was a possibility that a competitor may be able to copy and reproduce electronic databases at a low cost.⁶⁴ Indeed, once contents are accessible, reproduction is possible at a lower cost than cost of production.⁶⁵

The low cost of copying in an electronic environment essentially reflects the 'public goods' problem in a database.⁶⁶ Public goods mean that they are non-rivalrous and non-excludable in character.⁶⁷ Non-rivalrous means that many people can access the same good, or service, without reducing the value or depleting it,⁶⁸ whereas non-excludable is a situation when it is difficult to prevent people from accessing goods or services after they have been released in the public domain.⁶⁹ Electronic databases are non-rivalrous because all electronic copies are of the same standard. Many users can use them simultaneously, and the use of one individual does not reduce the value of the database for the subsequent individual.⁷⁰ A database is also non-excludable because one may copy after it has been released in the market, and it is difficult on the part of the producer to stop such acts. This situation creates the problem of free-riding as referred in the explanatory

⁶⁰COM (92) 24 final, para [3.1.9].

⁶¹ibid, para [3.2.4].

⁶²ibid 28 and 31.

⁶³ibid 30.

⁶⁴ibid, para [3.1.11].

⁶⁵ibid, 30.

⁶⁶Robin Elizabeth Herr, *Is the Sui Generis Right a Failed Experiment? A legal and Theoretical Exploration of How to Regulate Unoriginal Database Contents and Possible Suggestions for Reform* (DJØF Publishing Copenhagen, Denmark 2008) 24; Alfred C Yen, 'The legacy of Feist: Consequences of the weak connection between Copyright and the Economics of public goods' (1991) 52(5) Ohio St L J 1343, 1365-1373.

⁶⁷Public Goods problem is related to the Intellectual Property Rights aspect, William M Landes and Richard A Posner, 'An Economic analysis of copyright law' (1989) 18(2) J Legal Stud 325, 326; Roger Van Der Bergh, 'The role and social justification of copyright: a "law and economics" approach' (1998) 1 IPQ 17, 20.

⁶⁸Herr (n 66) 24; Van Der Bergh (n 67) 20.

⁶⁹Herr (n 66) 24.

⁷⁰'Information' is an example characterized by non-rivalrous use, Van Der Bergh (n 67) 20.

memorandum.⁷¹ As a consequence of free-riding, the producers would be reluctant to invest towards electronic databases.⁷²

The explanatory memorandum did not mention the possibility of using Technological Protection Measures (TPM).⁷³ For example, the emergence of TPM and strong legal protection like the Digital Millennium Copyright Act (DMCA) in US is good news for database producers who want to protect their content which is not original.⁷⁴ It has been however argued that TPM is not a full proof solution and this means that legal sanctions are still required and effort of privatization of goods through TPM is not a perfect solution.⁷⁵ Nevertheless, TPM is a possible way to privatize the public nature of databases, which could not have been foreseen at the time of the first draft proposal.

Any one circumventing such protection measure is in violation of the laws governing cybercrime.⁷⁶ Even if electronic databases are indeed non-rivalrous, there is the possibility to reduce accessibility. A database producer exclusively controls accessibility in this regard, and the use of TPM may prove effective.⁷⁷

Databases act as a vital commercial tool for dissemination of electronic information. Optimal conditions would encourage investment towards its production.⁷⁸ Alongside harmonization of copyright protection, there was a proposal for limited

⁷¹COM (92) 24 final, 28-31.

⁷²Arguing for - Intellectual property is ill-suited for eliminating free-riding, Mark A Lemley, 'Property, Intellectual Property and Free Riding' (2004-2005) 83(4) Tex L Rev 1031, 1032; The problem of free-riding may reduce incentives for the producers to invest in creation, resulting which there would be undersupply of public goods; Van Der Bergh (n 67) 20.

⁷³On a different note, if two sets of protection are available for the database producer, is there a need for an extra layer of protection in form of a special database right? In the context of US, there is a possibility that TPM will impede dissemination of data, Jane C Ginsburg, 'Creation and Commercial Value: Copyright protection of works of Information' (1990) 90(7) Colum. L. Rev. 1865, 1921-1922; Jessica Litman has given the example of copyright protection to computer software. She expressed that giving meaningful protection to databases would not stop the database publishers from using other means (like TPM) of protection. Litman said that computer software should be an example in this regard, where the publishers are using all possible means (mixing both copyright and trade secrecy) to restrict use even after meaningful copyright protection to computer software. In case of databases of informational work, there may be the repetition of the same story. It is unlikely that publishers will give up the use of TPM, and the possible problem with dissemination will remain, Jessica Litman, 'After *Feist*' (1992) 17(2) U Dayton L Rev 607, 612-613.

⁷⁴Herr (n 66) 181.

⁷⁵Estelle Derclaye, *The Legal Protection of Databases: A Comparative Analysis* (Edward Elgar, Northampton 2008), 25.

⁷⁶For example in the UK, the Computer Misuse Act, 1990, ch 18.

⁷⁷Digital rights management solves public good problem to a great extent. However, it must be noted that paper format databases do not have the above outlined TPM advantage, (IVIR), 'The Recasting of Copyright & Related Rights for the Knowledge Economy' (November 2006) 104, available at <http://ec.europa.eu/internal_market/copyright/docs/studies/etd2005imd195recast_report_2006.pdf> (accessed 10 April 2010).

⁷⁸COM (92) 24 final, 28-31.

protection for the contents of a database if such contents were not already protected under copyright.⁷⁹ By envisaging this layer of protection, the Commission proposed the enactment of a special database right against unfair extraction of the contents of a database.

In the background of the risk of copying faced by the producers, the proposed protection should have reflected the impending concern. Instead, the proposal offered limited protection to the contents, thereby questioning the level of concern associated with the production of electronic databases.⁸⁰

2.2 Incentive Argument and Production of Databases

Using incentive as one of the justifications behind enacting an intellectual property right has an American lineage.⁸¹ There is a general understanding that intellectual property legislation balances the problems associated with public goods. In its absence, there would be insufficient incentive to produce vulnerable works that are easily appropriable.⁸² Further, the producer has little chance to recover the investment towards such production.

The incentive theory surrounding the copyright protection presupposes that profit motivates an individual.⁸³ Without copyright protection, production and dissemination of work may not happen at an optimal level due to the possibility of unauthorized appropriation.⁸⁴ In the absence of copyright, there may be difficulties in recovering investments made towards the production of a work.⁸⁵ Copying in the

⁷⁹*ibid*, para [3.2.8].

⁸⁰*Infra* chapter 7, section 7.1.

⁸¹Lemley (n 72) 1031; American story about copyright protection is that it provides economic incentive essential for the creation of new works, Diane Leenheer Zimmerman, 'Copyright as Incentives: Did we just imagine that' (2011) 12 (1) *Theoretical Inquiries in Law* 29, 30; On the contrary Ralph Brown has said that the Copyright clause in the US Constitution does not say to 'maximize returns to authors and inventors', Ralph Brown, 'Eligibility for copyright protection: a search for principled standards' (1985) 70(2) *Minn L Rev* 589, 592.

⁸²Patent is observed as a reward system, *Miguel Figueroa v United States*, United States Court of Appeals for the Federal Circuit, 05-5144 (October 2006); It was acknowledged that the term protection for copyright was increased by 20 years to provide incentives for creators, *Eldred v. Ashcroft* 537 US 186 (2003), (arguing against) Lemley (n 72) 1031-1033; Shubha Ghosh, 'The Intellectual Property Incentive: Not so a natural as to warrant strong exclusivity' (2006) 3(2) available at <<http://www.law.ed.ac.uk/ahrc/script-ed/vol3-2/ghosh.asp>> (accessed 17 July 2010).

⁸³Herr (n 66) 47; Innovation on the part of the producer is directly proportional to the returns, Stanley M Besen & Leo J Raskind, 'An Introduction to the Law and Economics of Intellectual Property' (1991) 5 *J. Econ. Persp.* 3, 5; Greater incentives to create intellectual property comes with more extensive intellectual (copyright) protection, Landes & Posner (n 67); Arguing against it, Zimmerman (n 81).

⁸⁴Lionel Bently & Brad Sherman, *Intellectual Property Law* (Oxford University Press, 3rd edn, 2008) 37.

⁸⁵*Supra* (n 83).

digital world will reduce the incentive for an author to create further work so much so that the “millennium of the internet will eliminate the modern day Michelangelo because his services are no longer valued”.⁸⁶ According to the incentive theory, law of copyright rectifies possible ‘market failure’ by incentivizing production and stopping undersupply of works. The mere presence of copyright will assure the authors to produce new work.⁸⁷ Although commentators have linked the role of copyright in the pre-production stage, there are not enough arguments given in this regard.⁸⁸ From the point of creativity, a person creating a work for the very first time may not be aware of copyright protection. His creativity develops from desire and little from copyright. The issue of protection begins at a later stage when there is the realization that the work in question is worth protecting.⁸⁹ Contrary to this proposition, in commercial houses conceptualization of a work may start because of the prior knowledge of copyright protection. There is an indication that strong copyright protection is preferable among producers, since they want to widen the scope covering databases to comprise of works and non-copyrighted material.⁹⁰ The copyright protection for them seems to be an incentive for future investment towards databases. Therefore, it would be incorrect to relate the influence of copyright protection with the development of any creative work.⁹¹ Those arguing against such contention have not disagreed with the role of copyright at the post-production stage.⁹² They have, however, ignored the influence of copyright protection at a pre-production stage for commercial producers.⁹³

A database with original selection or arrangement of the contents is a literary work and comes under Article 3 of the Database Directive.⁹⁴ The other category of databases recognized under the Directive is non-original as per copyright standard. These databases are protected under Article 7 of the Directive.⁹⁵

Going by arguments mentioned above, an author may be inspired out of creative pleasure to produce a database, which is original according to the standard

⁸⁶David Balaban, ‘The Battle of the Music Industry: the distribution of Audio and Video Works via the internet, music and more’ (2001-02) 12(1) *Fordham Intell Prop Media & Ent L J* 235, 240.

⁸⁷Arguing against copyright as an incentive to creativity, Zimmerman (n 81) 35–42.

⁸⁸See generally, *ibid.*

⁸⁹This assertion connects to the argument posed by Zimmerman pointing that the painter or an artist would not be in a position to know that someone else would read the book or hang the painting, Zimmerman (n 81) 43–48.

⁹⁰Working programme of the Commission in the field of copyright and neighbouring rights. Follow-up to the Green Paper. COM (90) 584 final, 17 January 1991, 18 (COM (90) 584 final).

⁹¹This means relating either the extrinsic or the intrinsic factor in the premise of ‘any creative work’ is faulty and it is connected to the person involved in making the work, See (n 83) – (n 89).

⁹²The premise of the argument is that existence of the copyright does not ensure more creative work and thus, includes the pre-production stage; see Zimmerman (n 81).

⁹³*ibid.*

⁹⁴Council Directive 96/9/EC, art 3.

⁹⁵*ibid.*

prescribed in the Directive.⁹⁶ This is, however, not the situation with non-original databases, which are not original in copyright sense. As a result there can be no creative pleasure in producing them.⁹⁷

In the absence of creative pleasure in the production of non-original databases, it is difficult to identify incentives that are present for a database producer.⁹⁸ These databases will be produced with the intention of maximizing profits. Therefore, logically, incentive is required, which will ensure protection of the investment made by the producer.⁹⁹ Database production may suffer without such initiative, thereby identifying a theoretical need of enacting a database right for databases that are non-original by copyright standard.¹⁰⁰

Although incentive may work as an impetus for certain category of authors, it is difficult to conclude that such incentive will increase production. There is no reason to believe that production will continue in the absence of a market.¹⁰¹ It is inconceivable to think that commercial producers would ignore the market and only invest because of the availability of copyright protection.¹⁰² The uncertainty with production may remain even after introducing the incentive.

2.2.1 *Perspective of Producers at Proposal Stage*

The starting point of incentive for electronic databases was primarily based on copyright.¹⁰³ Differences in the threshold standard of originality were identified as a

⁹⁶The standard of originality has been discussed in chapter 5.

⁹⁷In the context of public dissemination, there is a tendency to overlook “author’s incentive to spur the creation of fact-works”. The sheer “importance and utility of fact-works justify greater incentives for their creator”, Denise R Polivy ‘*Feist* applied: Imagination protects, but perspiration persists – the bases of copyright protection for factual compilation’ (1997-98) 8(3) *Fordham Intell Prop Media & Ent L J* 773, 777-778.

⁹⁸Although for some poets creativity has a greater value than monetary incentives, the same is unlikely for “prosaic compositions”, Ginsburg (n 73) 1908; It may be the case that database producer will produce databases if there is a market for it. There may not be any additional incentives required to fundamentally initiate production of databases. This is clear from the annual reports and production of databases in US, *infra* chapter 4, section 4.1; This proposition is contrary to the thought that these works (compilation of facts) may require a prompt to their production, Jane C Ginsburg, ‘No “Sweat”? Copyright and the Protection of Works of Information after *Feist v Rural*’ (1992) 92(2) *Colum L Rev* 338, 341.

⁹⁹Following the argument that intellectual property in purely business sense acts as an incentive, Zimmerman (n 81) 30.

¹⁰⁰Council Directive 96/9/EC.

¹⁰¹It has been observed later in the book that commercial databases are mostly driven by the market requirement, *infra*, section 4.3.1.

¹⁰²The production of databases continued in US in absence of database legislation. It means market has a role to play other than the fact that there is enough incentive to continue production. *Infra* chapter 4.

¹⁰³COM (92) 24 final, para [2.2.5].

problem for the production of electronic databases and were harmonized to ensure an atmosphere of certainty for the producers.¹⁰⁴ Although there are no explicit reasons given in the proposal on questions of law relating to harmonization of copyright protection, the role of copyright in incentivizing production is identified from the opinions of the stakeholders.¹⁰⁵ Prior to the proposal, the stakeholders were asked two questions in relation to copyright protection of databases. The questions were firstly, about whether databases with copyrighted contents should receive copyright protection, and secondly, whether the copyright protection should apply, and extend to databases, which contain data available in the public domain.¹⁰⁶ In response, the stakeholders overwhelmingly preferred copyright protection for databases comprising of copyrighted contents.¹⁰⁷ There was no interest shown for the enactment of a new database right.¹⁰⁸ They also suggested that copyright protection should be made available for databases comprising of both copyrighted works, and non-copyrighted data.¹⁰⁹ The argument that database producers did not fully comprehend the scope of database right and hence opted for copyright protection is incorrect.¹¹⁰ It is difficult to support such proposition, since majority of the producers involved in the business of database production voted for copyright protection.¹¹¹ Producers were at the best position to understand the consequences of the database right, which proposed to protect the contents of their database. Contrary to the support for copyright, there was no comparable support for the enactment of database right.

2.2.2 *The First Evaluation Report and Question of Incentive*

The first official performance report of the Database Directive primarily focused on the assessment of policy goals behind the introduction of the new database right in Europe, although the title of the report suggests evaluation of the database directive.¹¹² Broadly, the evaluation report considered whether there has been an increase in investment towards production of databases and whether growth rate of the European database industry has increased after the introduction of the database

¹⁰⁴ibid 30.

¹⁰⁵COM (88) 172 final, 208.

¹⁰⁶ibid.

¹⁰⁷COM (90) 584 final, 18.

¹⁰⁸George Metaxas, "Protection of databases: quietly steering in the wrong direction?" (1990) 12 (7) EIPR 227-228.

¹⁰⁹COM (90) 584, 18.

¹¹⁰Derclaye (n 75) 44.

¹¹¹ibid.

¹¹²First Evaluation of Directive 96/9/EC, para [2.1].

right.¹¹³ The report investigated whether beneficiaries under the new legislation have actually produced more databases than they would have done in the absence of database legislation.¹¹⁴ For the reasons mentioned above, the report consulted the results of an online survey addressed to the European database industry, and the empirical evidence generated from Gale Database Directory (GDD). The online survey was sent to 500 European database companies and organizations involved in e-business. They comprised of publishers, suppliers of data and information, database manufacturers and distributors. Out of 500 companies covered by the survey, only 101 responded.¹¹⁵ GDD was the second source other than the survey. At the time of the report, GDD was the only available database that provided statistical information on growth of database industry in the world.¹¹⁶

The online survey considered the level of investment towards the production of databases. In the survey, 49% of the respondents believed that the level of investment increased by more than 20% after 1996. While 37% said that the investments were between 0–20%, 15% believed that it has remained same or actually decreased. The increase in investments has been mainly towards improving information technology and staff development.¹¹⁷

The second part of the report focused on the actual evolution of database sales to measure the impact of Database Directive.¹¹⁸ European Association of Directory and Database Publishers (EADP) claimed significant increase in supply of information after the enactment of the Database Directive. In the opinion of EADP, the difference between the number of databases produced and the amount of information delivered through databases should have been recognized.¹¹⁹ The evaluation report conceded that measuring the number of databases might not be the only way to assess the evolutionary nature of the sale of databases. Supply of information could be a possible alternative.¹²⁰ However, EADP neither provided any empirical evidence, nor did they propose the methods to be used to quantify and measure information delivered through databases.¹²¹ In the absence of other empirical evidence, the impact of Database Directive, especially the database right, had to be measured by the number of databases produced.

GDD measured the size of the database industry in terms of database entries in the directory. According to the directory, the number of European databases in 2004 was 3095 when compared to 3092 in 1998. This number increased from 3092 in

¹¹³ibid.

¹¹⁴ibid.

¹¹⁵ibid, para [1.3].

¹¹⁶ibid.

¹¹⁷ibid, para [4.2.2].

¹¹⁸ibid, para [4.2.3].

¹¹⁹ibid.

¹²⁰ibid.

¹²¹ibid.

1998 to 4085 in 2001, but recorded a decline in 2004.¹²² Although GDD was consulted, the report introduced important caveats about the empirical evidence used to judge the performance of the Directive. For instance, there was no clear indication about the parameters for recognizing a database before their entry was recorded in the GDD. There was a possibility that the wide scope of the definition of database under the Database Directive was not well represented in the directory.¹²³ Thus, the GDD report was considered as a rough estimate of the performance of the database market in Europe.¹²⁴ In the context of the ‘fall’ in the number of databases in 2004 as compared to 2001, the EADP argued that the fall does not represent decrease in sale of database, since the level of supply of information via databases has not decreased. There was no evidence given in support of this argument. Further, EADP claimed that there was a change in delivery of databases from stand-alone product to portal based applications, thereby providing a single point access to many databases.¹²⁵ The fall in the number of databases resulted because of a transition in the medium of delivery of information from magnetic tapes, diskettes, and CD-ROM, to single point access portal. GDD has failed to consider this aspect and, therefore, their report was incorrect in the context of the European database market.¹²⁶ The report conceded that there was considerable uncertainty with the figures given in the GDD and further empirical evidence must be consulted before taking any firm policy measures.¹²⁷ However, the report did say that database right did not have any proven economic impact on the production of databases in Europe.¹²⁸ One of the recommended policy measures was to repeal the database right from the Database Directive.¹²⁹

In the first draft proposal it was expected that by virtue of the database right, European markets were expected to compete with the US market.¹³⁰ Therefore, it is questionable as to how the European market would compete without producing more databases. The report observed that introduction of the database right was to stimulate database production.¹³¹

The report questioned the incentive of a database right even though there may have been a theoretical need to incentivize production of non-original databases. It did not question the increase in investment towards production of databases. In fact,

¹²²ibid, para [4.2.3].

¹²³“It appears entirely possible that certain compilations such as newspapers, magazines and electronic programme guides, which would fall within the scope of the Directive, have not been counted as a database entry in the GDD statistics”, ibid.

¹²⁴ibid.

¹²⁵ibid; For example Westlaw, a portal based application, forms a single point of access to many databases.

¹²⁶ibid, para [4.2.3].

¹²⁷ibid.

¹²⁸ibid, para [1.4].

¹²⁹ibid, para [1.5].

¹³⁰COM (92) 24 final, para [1.1].

¹³¹First Evaluation of Directive 96/9/EC, para [1.4].

Table 2.1 Investments of the European database industry

Area of investment in database industry	Percentage of investment (%)
Information technology	(85.1)
Staff to feed data into a database	(69.3)
Staff to run a database	(65.3)
Marketing/advertising of a database	(64.4)
Staff to collect data	(63.4)
Acquisition of data	(62.4)
Licences	(58.4)
Office space	(35.6)
Other	(21.8)

Source Commission services' online survey (August–September 2005) in First Evaluation of Directive 96/9/EC, 17

the online survey conducted as a part of the report reflected increase in investments.¹³² Table 2.1 represents the structure of investment.

About 88% of respondents in the online survey believed that investment increased by 20% or more.¹³³ Table 2.1 shows sectors where investment has been made by the European database industry. Each category represents the sum total of investments (percentage) made by the respondents in that particular category. For instance, 85.1% of investment in information technology was the total percentage of all investments made by the respondents towards information technology. Two major areas have been information technology and information technology staff. An increase in investment should be encouraging from the point of enacting the database right.

Although the figures record an increase in investments, there is considerable apprehension with such conclusion. Only 101 (20%) of the companies replied to the survey, representing a fraction of the total number of companies involved in the business.¹³⁴ Among 101 companies, 80% said that there has been increase in investment, which makes eighty companies out of a total of 500.¹³⁵ The argument of increase in investment has been based only on the reply of (80 out of 500) 16% companies. This makes statistic less credible.¹³⁶ Although there is a trend of increased investment towards databases, the figures do not give an explicit picture. It is difficult to comprehend the reason behind such poor response from companies

¹³²*ibid.*, para [4.2.2].

¹³³*ibid.*, para [4.2.2].

¹³⁴Total number of companies in the survey was 500; *ibid.*, para [4.2.2].

¹³⁵*ibid.*

¹³⁶There has been criticism about the size of the sample used and critique said that the conclusion of the report should not be treated seriously, Derclaye (n 31) 297.

in a matter that is so important for the future of database right.¹³⁷ Companies should have been much more pro-active in their response if database right was an incentive for them.

There has been criticism of the report because the empirical evidence reflects position of one database i.e. GDD.¹³⁸ Under these circumstances, the evidence is limited and may not be an actual representation of the number of databases produced in Europe.¹³⁹ The report stated that the number of databases was equivalent to pre-Directive levels.¹⁴⁰ This may give impression that there was no production between 1996 and 2004. In reality, however, Table 2.2 represents a different situation.

Subsequent to the incorporation of database right in 1998, there was steady increase in the number of databases, and by 2001, a growth of 25% was noticeable in the European database industry.¹⁴¹ After 2001, however, production fell to the pre-Directive level.¹⁴² If incentive of database right played a role in the rise of 25%, such incentive did not have similar effect when numbers were decreasing. Therefore, the incentive worked differently in the period of six years (1998–2004). The EADP said that decrease in media like magnetic tapes, diskettes and CD ROMS led to the disappearance of some of the databases.¹⁴³ New media should have developed, even if the old media disappeared due to technological change. In fact, database right was introduced for the delivery of information through various new media in the electronic age.¹⁴⁴ Despite shortcomings of the empirical evidence, this report provides an insight on the application of incentive theory and confirms that incentives may not always work.¹⁴⁵

Reference to numbers to establish a certain argument is something that has not happened on previous occasion. At the time of the proposal, the explanatory memorandum highlighted the immense potential of European database industry with the help of numbers.¹⁴⁶ The assessment of the potential market was not based on supply of information.¹⁴⁷ Following a similar logic, numbers can determine the performance if similar method had been followed at the time of assessing potential.

¹³⁷Similarly there was a gap of five years after the decision of *Feist* in the US and the debate for enacting legislation for protecting databases only started in 1996. The gap essentially means less concern on the part of the publishers, *Infra* section 4.2.

¹³⁸Derclaye (n 31) 275 and 297.

¹³⁹The Evaluation Report introduced certain caveats detailing the limitation of the study, First Evaluation of Directive 96/9/EC, para [4.2.3].

¹⁴⁰*ibid*, para [4.2.3].

¹⁴¹The numbers increased from 3092 to 4085, which was an increase of almost 1000 databases; In 1998 member states started to incorporate the database right in their national laws.

¹⁴²The fall was from 4095 to 3095, i.e. about 1000 databases.

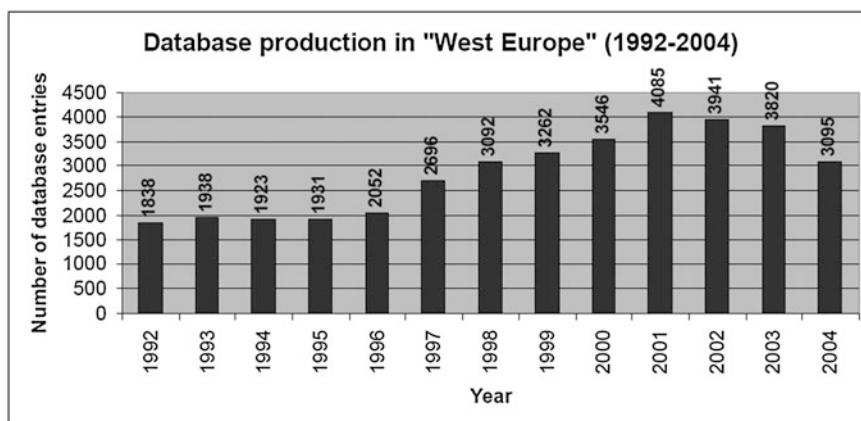
¹⁴³First Evaluation of Directive 96/9/EC, para [4.2.3].

¹⁴⁴COM (92) 24 final, para [1.3].

¹⁴⁵*Supra* section 2.2.

¹⁴⁶*Supra* (n 18) - (n 21).

¹⁴⁷*ibid*.

Table 2.2 Database production in “West Europe” (1992–2004)

Source The Gale Directory of Database 2005, Vol. 1, Part 2 in First Evaluation of Directive 96/9/EC, 19

Although the exact number of databases produced in Europe is questionable, the report indicates the trend that European market did not react to the incentive of database right.

The explanatory memorandum to the first draft said that the “...Directive aims to address both the creative and economic aspects of the protection of databases”.¹⁴⁸ Protection of investment through the enactment of the database right is an economic right.¹⁴⁹ In an implicit way, the report questioned the economic evidence that led to believe that database right was a necessary economic incentive for producers. Commentators have said that the exact requirement of database legislation was not clear, since there was no evidence of piracy preceding such legislation.¹⁵⁰ Economic justification behind the enactment of database right was not fully developed, since empirical evidence was not consulted prior to the enactment of database right.¹⁵¹ Further, justification of the database right was an economic one and validity of such justification was in the empirical evidence.¹⁵² There was no incidence of market failure or any conclusive evidence to suggest the requirement

¹⁴⁸COM (92) 24 final, para [4.2.6].

¹⁴⁹Council Directive 96/9/EC, art 7.

¹⁵⁰Bitton (n 13) 1432.

¹⁵¹ibid; Mark Powell, ‘The European Union’s Database Directive: An International Antidote to the side effects of Feist’ (1996-97) 20(4) Fordham Int’l LJ 1215, 1225; Mark J Davison, *The legal protection of databases* (Cambridge University Press Cambridge 2003) (n 75), 6-7; Pamela Samuelson, ‘Should economics play a role in copyright law and policy’ (2003-04) 1(1-2) Univ of Ottawa L T J 1, 14.

¹⁵²P Drahos, *A Philosophy of Intellectual Property* (Dartmouth, Aldershot, 1996) 7; Davison, (n 151) 6-7.

of database right. Hence, its introduction was purely speculative in nature.¹⁵³ Absence of economic evidence prior to enacting the Directive is reflected on the structure of the database right. It has been suggested that the prime intention of the database right was to locate substantial investment to merit protection. This approach has excluded the intention of database maker. Moreover, there is no need for the database maker to show any market failure or “potential danger in recouping investment”.¹⁵⁴ A database maker only needs to show that extraction has been substantial. Thus, the Directive allows for less stringent threshold and protection of “mundane collection of information”.¹⁵⁵ This is contrary to the position taken by the explanatory memorandum where the economic impact on publishers was considered.¹⁵⁶ Thus, economic evidence in formation of the database right and further economic links in the subsequent application of database right were both absent.

The objective of the database right was “to create a climate in which investment in data processing can be stimulated” by way of protecting contents of a database against misappropriation.¹⁵⁷ In the background of this objective, it is interesting to note that economic consideration was not the rationale behind the formation of database right.¹⁵⁸ This contention is particularly interesting since reading of the Recitals makes it clear that the Directive followed the economic analysis of informational goods.¹⁵⁹ Recital 8, 10 and 11 reflects upon the economic aspects involved in the Directive. In particular, database right and corresponding Recitals indicate that justification behind adopting such right was purely economic.¹⁶⁰ The

¹⁵³“EU accepted ...the underlying economic assumptions of proponents of database protection and assumed that with no legal protection producers will have no incentive to produce databases”, Bitton (n 13) 1411 and 1426.

¹⁵⁴Guido Westkamp, ‘Protecting Databases Under US and European Law- Methodical Approached to the Protection of Investments between Unfair Competition and Intellectual Property concepts’ (2003) 34(7) IIC 772, 785, 793.

¹⁵⁵ibid.

¹⁵⁶COM (92) 24 final, 25.

¹⁵⁷ibid.

¹⁵⁸This non-consultation of economic evidence must have been in the context of the current structure of the Database Directive. The explanatory memorandum, attached to the first proposal did develop the empirical research and economic evidence concerning the possibility surrounding the European database market in the information age. It was provided as a pre-text to harmonizing protection of databases, ibid, para [1.0].

¹⁵⁹Council Directive 96/9/EC; “Strong economic motives underpinned the adoption of Database Directive”, Maurizio Borghi and Maria Lilla Montagnani, ‘Promises and Pitfalls of the European Copyright Harmonisation’ in David Ward (ed.) *The European Union and the Cultural Industries* (2007 Ashgate Publishing) 13; Derclaye (n 75) 39.

¹⁶⁰J Philips, *Databases, the Human Rights Act and EU law* in J Griffiths and U Suthersanen (eds), *Copyright and Free Speech, Comparative and International Analyses*, (Oxford University Press, 2005) 411; Derclaye (n 75) 40.

purpose of database right was to garner economic benefits, but there was no substantive empirical evidence that suggested imminent problems.¹⁶¹

As database right was enacted without any economic evidence, it would have been difficult to know the requirement constituting structure of such right. Therefore, it must have been a challenge to estimate the overall balance in such legislation.¹⁶² For the purpose of investment, it was difficult to predict the incentive required for a particular database producer.¹⁶³ There is an inherent difficulty in balancing incentive to correct possible market failure.¹⁶⁴ For instance, prior economic consultations have taken place in the EU for framing appropriate rules for copyright protection of computer programs.¹⁶⁵ At the point of inception, economic evidence could have possibly estimated requirement of the incentive of a novel database right.¹⁶⁶ The database right is thus prone to suffer from overall imbalance.¹⁶⁷

We have come across various reasons and arguments that were cited at the time of enacting the Directive. There was also a quick reference to the decision of US Supreme Court in *Feist Publications v Rural Telephone Service*.¹⁶⁸ The evaluation report stated that US did not react to the decision of US Supreme Court in *Feist*. Nevertheless, Europe went ahead with the enactment of database right.¹⁶⁹

¹⁶¹Bitton (n 13) 1426.

¹⁶²Estelle Derclaye's work looks at the issues of over protection and under protection in relation to Database Directive, Derclaye (n 75).

¹⁶³To know the optimal level of protection is a difficult proposition, Van Der Bergh (n 67) 32; Incentive theory does not tell much about the "structure of intellectual property" i.e. the requirement, other than stating that intellectual property rights should be as "strong as possible", Ghosh (n 82) 97.

¹⁶⁴Arguing that not enough economic analysis is done for the purpose of policy making in the field of intellectual property law, Samuelson (n 151).

¹⁶⁵This has been said in the context of Article 6 of the Software Directive, Council Directive 1991/250/EEC of 14 May 1991 on the legal protection of computer programs [1991] OJL122/1; This Article permits de-compilation of the computer program code for the purposes of achieving interoperability among programs, Samuelson (n 151); A substantial empirical research shows that increase in copyright protection does not automatically mean the increase in number of work produced. Raymond Shih Ray Ku & others, 'Does Copyright Law promotes creativity? An Empirical analysis of Copyright's Bounty' (2009) 62(6) Vand L Rev 1667, 1694.

¹⁶⁶There is no previous example of the database right in the world, Anna Koo, 'Database Right decoded' [2010] 32(7) EIPR 313, 313.

¹⁶⁷Davison (n 151).

¹⁶⁸Feist Publications (n 6).

¹⁶⁹First evaluation of Directive 96/9/EC, para [2.4].

2.3 Feist Decision as an Argument for Protection of Databases

The *Feist* decision was identified in the explanatory memorandum as an emergence of “... new-line of jurisprudence” that “...rejects the ‘sweat of the brow’ criteria and requires originality in the copyright sense”.¹⁷⁰ Further, electronic databases, and to some extent, databases in paper-format will be excluded from the purview of copyright protection failing the test of originality.¹⁷¹ This non-protection would be “...regardless of the skill, labour, effort or financial investment expended in their creation”.¹⁷² It was believed that in commercial context, electronic databases must be comprehensive in order to be useful. On the ground of comprehensiveness, it would be difficult for those databases to meet the requirement of originality based on selection or arrangement of the contents.¹⁷³

In the back drop of concern expressed in the explanatory memorandum, one needs to understand the structure of an electronic database. An electronic database typically comprises of three components: contents, logical schema that describes the contents and their relationship with each other, and a database management system, which helps in searching for information in the database.¹⁷⁴ There are two kinds of selection mechanism possible in an electronic database. The first one may be adopted at the point of collecting the data. A second type of selection or arrangement is possible, while presenting the information to a user.¹⁷⁵ At the initial stage, the primary objective is to make databases commercially viable and the maker intends to make the contents comprehensive to raise usefulness of an electronic database. Therefore, for comprehensive databases, selection is not expected at the initial stage, however, it depends on the type of the database in question.¹⁷⁶ At the second stage of making an electronic database, database maker follows selection or arrangement to present the collected data in an informative way. This is an important stage where the maker gets the opportunity to show creativity with respect to an electronic database. Selection and arrangement at a logical schema stage, and the structure representing connections between the logical schema and the database management system should come under the scope of copyright threshold.¹⁷⁷ Selection or arrangement at the logical stage provides an opportunity

¹⁷⁰COM (92) 24 final, para [2.3.3].

¹⁷¹*ibid.*

¹⁷²*ibid.*

¹⁷³*ibid.*

¹⁷⁴Herr (n 66) 28-30; See generally for the structure of a typical database, Wesley L. Austin, ‘A Thoughtful and Practical Analysis of Database Protection under Copyright Law, and a Critique of *Sui Generis* Protection’ (1997) 3 (1) J of Tech L & P.

¹⁷⁵This assertion is based on the working of databases like Westlaw and LexisNexis.

¹⁷⁶*Infra* section 6.4.

¹⁷⁷L Ray Patterson, ‘Copyright overextended: a preliminary inquiry into the need for a federal statute of unfair competition’ (1991-92) 17(2) U Dayton L Rev 385, 394.

for the user to select and access information.¹⁷⁸ This is contrary to the belief that there is no selection or arrangement on the part of the database producer and working of a database depends on the selection of the user.¹⁷⁹ Selection or arrangement mechanism is compulsory for an electronic database to function.

The explanatory memorandum makes it clear that removal of ‘sweat of the brow’ will disincentivize database producers.¹⁸⁰ Depending on the size of a database, process of collection may involve substantial investment. Since protection under copyright extends only towards creativity in selection or arrangement of the contents, a database comprising of factual information may be used by any second comer. There is lack of incentive for the database maker if the second comer obtains the valuable contents without incurring any legal liability.¹⁸¹ ‘Sweat of the brow’ was ideally placed in this situation, since protection extends to the contents, thereby providing enough incentive for producers.¹⁸² According to the ‘sweat of the brow’ theory, a second compiler must expend similar effort in collecting the same factual information contained in the first compilation.¹⁸³ Therefore, in absence of creativity through selection or arrangement of the contents, the first compiler may protect the collection by virtue of the expended effort.¹⁸⁴

There have been comments about the role that *Feist* had played in bringing about the database right in Europe. For instance, the Head of the Unit in the Directorate General for Copyright Policy suggested that ‘...apparently [the Commission] decided to introduce a *sui generis* right in the draft [proposal] after reading [the *Feist*] decision’.¹⁸⁵ It has been suggested that the database right was enacted in Europe as a remedial measure further to the apprehension that *Feist* decision will disincentivize production of databases.¹⁸⁶ Other than the *Feist* decision there was *Van Daele* in the Netherlands.¹⁸⁷ The *Van Daele* case concerned the copyrightability of a dictionary in Dutch language. In this case, the plaintiff Van Daele, alleged infringement in the act of copying keyword entries in the dictionary of the plaintiff. Although this decision was before the *Feist* decision, similar to *Feist*, the Dutch Supreme Court said that there was no originality in a compilation of ‘factual

¹⁷⁸*Infra* section 4.3.2.

¹⁷⁹Patterson (n 177).

¹⁸⁰COM (92) 24 final, para [3.1.9].

¹⁸¹*ibid* 25.

¹⁸²*ibid*, para [3.1.9].

¹⁸³Detailed argument on sweat of the brow theory see *Infra* chapter 3.

¹⁸⁴*ibid*.

¹⁸⁵Daniel J Gervais, ‘The protection of databases’ (2007) 82(3) Chicago-Kent Law Review 1109, 1119.

¹⁸⁶*ibid*; Derclaye (n 75). The author also cited Van Daele as the other reason for incorporating the *sui generis* right (database right) in the Directive.

¹⁸⁷With reference to the US Copyright Law, factual information is also referred as “fact-works” meaning works, which compile and communicate factual information, Robert A Gorman, ‘Fact or Fancy? The Implications for Copyright-The Twelfth Annual Donald C Brace Memorial Lecture’ (1982) 29 (6) Journal of the Copyright Society 560, 561.

information'. Such compilation only becomes original by virtue of selection expressing the personal view of the maker.¹⁸⁸ One can notice that the urge to act was even greater after *Feist*, since *Van Daele* was decided prior to *Feist*. The explanatory memorandum has only referred to *Feist* decision, and such reference indicates a distinct argument for enacting the database right.¹⁸⁹ This sense of urgency relates to functioning of the European market, although *Feist* decision merely reflected the position of US. It is indicative of the fact that irrespective of jurisdictions, *Feist* decision was believed to hold the key to the future of electronic databases.¹⁹⁰ In Europe, lack of uniformity in copyright protection and the difference in threshold of originality was an additional concern.¹⁹¹ The Commission expressed, "if [harmonization] is not done quickly, there is a risk that member states may legislate expressly in widely differing ways..."¹⁹² The thought of member states legislating differently may have been the reason to act immediately after the *Feist* decision.¹⁹³

There was however not enough evidence to suggest that immediate action in form of an incentive was required to curb the possible negative effect of the *Feist* decision.¹⁹⁴ The evaluation report has said that unlike Europe, US did not initiate any process for the enactment of database legislation.¹⁹⁵ Therefore, it is questionable whether there was immediate requirement. Despite having no immediate requirement, one has to consider that the objective of the European database industry was to compete internationally, especially with the leading US database industry.¹⁹⁶ The background of *Feist* decision may have provided the required initiative to proceed with database legislation in the EU.¹⁹⁷ Production of databases has been a platform for comparing competitive strengths of Europe and US.¹⁹⁸ Gaining competitive edge over US was an issue and has been stated in many of the official communications of the European Commission.¹⁹⁹

¹⁸⁸Romme/Van Dale Lexicografie, B.V., Hoge Raad der Nederlanden [HR] [Supreme Court of The Netherlands], 4 January 1991, *translated in* Protecting works of facts: Copyright, Freedom OF Expression and Information LAW, app. I 93-96.

¹⁸⁹COM (92) 24 final, para [2.3.3].

¹⁹⁰Gervais (n 185).

¹⁹¹COM (92) 24 final, para [2.2.5].

¹⁹²*ibid* 16.

¹⁹³Estelle Derclaye has suggested in her book that *sui generis* right was enacted because there was no uniform law protecting investments in member states, Derclaye (n 75) 45; This corroborates the fear of the Commission that member states may legislate differently.

¹⁹⁴In the context of US database market, *Infra* chapter 4.

¹⁹⁵First Evaluation of Directive 96/9/EC, para [2.4].

¹⁹⁶*Supra* section 2.1.

¹⁹⁷*ibid*; COM (92) 24 final, para [2.3.3].

¹⁹⁸The first evaluation report compared the production of databases in Europe to the production of databases in US, First Evaluation of Directive 96/9/EC, para [2.4].

¹⁹⁹COM (88) 584 final, 207; COM (92) 24 final, 7.

Europe followed a pro-active step by enacting a database right that had no precedent in the world market. It becomes important to assess the uniqueness attached to the *Feist* decision in US and the impact of *Feist* on production of databases.

2.4 Two-Tier Structure of Database Directive

Four years after the proposal, the Database Directive was enacted in the year 1996 with a two-tier protection for databases.²⁰⁰ In the Database Directive, the word ‘database’ means “a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means.”²⁰¹ The definition of database has been criticized for creating a broad horizon and unnecessary vagueness.²⁰² However, in the case of *Fixtures Marketing Ltd v. Organismos Prognostikon Agnon Podosfairou*, ECJ confirmed that the definition of database is meant to be broad so as to cover future databases in any form.²⁰³ According to Recital 13, “this Directive protects collections, sometimes called ‘compilations’, of works, data or other materials which are arranged, stored and accessed by means which include electronic, electromagnetic or electro-optical processes or analogous processes”.²⁰⁴ Although scholars have been critical of the definition of a database under the Directive, there is little confusion at the time of applying this definition.²⁰⁵

Article 3 and 7 represents a two-tier protection under the Directive. Article 3 of the Database Directive states that:

in accordance with this Directive, databases which, by reason of the selection or arrangement of their contents, constitute the author’s own intellectual creation shall be protected as such by copyright. No other criteria shall be applied to determine their eligibility for that protection. The copyright protection of databases provided by this Directive shall not extend to their contents and shall be without prejudice to any rights subsisting in those contents themselves.²⁰⁶

²⁰⁰Council Directive 96/9/EC.

²⁰¹*ibid*, art 1(2).

²⁰²Davison (n 151) 100; Juan Carlos Fernandez-Molina, ‘The legal protection of databases: current situation of the international harmonization process’ (2004) 56 (6) *Aslib Proceedings* 325, 327; Jacqueline Lipton, ‘Databases as Intellectual Property: New Legal Approaches’ (2003) 25 (3) *EIPR* 139, 141.

²⁰³Case C-444/02 *Fixtures Marketing Ltd v Organismos Prognostikon Agnon Podosfairou (OPAP)* [2005] ECDR 3; CJEU in the case of Case C 30/14 *Ryanair Ltd v PR Aviation BV*, [2015] ECLI:EU:C:2015:10; CJEU in the case of Case C 490/14 *Freistaat Bayern v Verlag Esterbauer GmbH*, [2015] ECLI:EU:C:2015:735.

²⁰⁴Council Directive 96/9/EC.

²⁰⁵Derclaye (n 75) 54-66; Davison (n 151) 70-73; The application of the definition has been consistent, *infra* section 5.3.

²⁰⁶Council Directive 96/9/EC, art 3.

This protection is meant for databases that are original by reason of selection or arrangement of the contents. The threshold to merit copyright protection is the AOIC, which will be discussed in detail in the later chapters.²⁰⁷

The rights and infringement applicable for database right are prescribed under Article 7.²⁰⁸ According to this Article, database producers can prevent ‘extraction’ and ‘re-utilization’ of the whole or substantial parts of the database evaluated either ‘qualitatively’ or ‘quantitatively’. The database producer must show ‘substantial investment’ made either qualitatively or quantitatively towards ‘obtaining’, ‘verifying’ or ‘presenting’ the contents of the database.²⁰⁹ The terms quantitative and qualitative have not been explained in the Database Directive. Further, authors have questioned the utility of this distinction, since there is an overlap with the ‘qualitative’ criterion, which is required to merit copyright protection.²¹⁰ The ECJ, in three cases, has given some insights to the meaning attached to quantitative and qualitative assessment. According to ECJ, quantitative assessment refers to quantifiable sources and qualitative assessment refers to sources that are non-quantifiable, such as intellectual effort or energy stated under Recitals 7, 39 and 40 of the Database Directive.²¹¹

Other than extraction and re-utilization, the Directive has been silent about terms like ‘substantial’, ‘obtaining’, ‘verifying’ and ‘presenting’. The word ‘substantial’ has not been defined in the Directive and its scope has been discussed in subsequent chapters.²¹² ‘Obtaining’ has not been defined either and is highly contentious in relation to the word ‘creating’.²¹³ Meaning attached to verification can be identified through several ECJ decisions.²¹⁴ It includes substantial costs, which are used to

²⁰⁷*Infra* chapter 5.

²⁰⁸Council Directive 96/9/EC.

²⁰⁹*ibid* art 7.

²¹⁰*ibid* art 7(1); Davison (n 151) 83-89; English translations of viewpoint of Matthias Leistner (Qualitative as a supplementary criterion); Van Eechoud (Doubts whether qualitative has independent significance; Hagen (Qualitative could be used as a safety net if quantitative is not sufficient, Annemarie Beunen, *Protection for databases: The European Database Directive and its effects in Netherlands, France and United Kingdom* (Wolf Legal Publishers Leiden 2007), 106-107.

²¹¹C-46/2, *Fixtures Marketing Ltd v. Oy Veikkaus Ab*, [2005] ECDR 2; C-338/02, *Fixtures Marketing Ltd v. Svenska Spel AB* [2005] ECDR 4, 49; *Organismos* (n 203).

²¹²There is an additional issue of spin-off databases and the investment made in this regard. No clear indication existed about the protection offered to spin-off databases prior to the decision in *The British Horseracing Board Limited* (n Case C-203/02, *The British Horseracing Board Limited v William Hill Organisation Ltd* [2005] ECDR 1); The ECJ said that spin-off databases may still be protected based on separate substantial investment other than the investment in creating; for the issue of spin-off databases and its inherent contradictions, Estelle Derclaye, “Databases Sui Generis Right: Should We Adopt the Spin Off Theory?” (2004) 26 (9) EIPR 402; Mark J. Davison and P. Bernt Hugenholtz, ‘Football Fixtures, Horseraces and Spin Offs: The ECJ Domesticates the Database Right’ (2005) 27(3) EIPR 113.

²¹³*British Horseracing Board Limited* (n 212).

²¹⁴*Oy Veikkaus* (n 211); *Svenska Spel* (n 211); *Organismos* (n 203) & *British Horseracing Board Limited* (n 212).

ensure reliability and monitor accuracy after obtaining the contents for the database.²¹⁵ ECJ said presentation means substantial costs made towards the function of processing information i.e. selection, arrangement and individual accessibility.²¹⁶

For the purpose of the Directive, extraction means “permanent or temporary transfer of all or substantial part of the contents of a database by any means and in any form”.²¹⁷ The database right holder must provide authorization “... when on-screen display of the contents of a database necessitates the permanent or temporary transfer of all or a substantial part of such contents to another medium”.²¹⁸ Re-utilization means making available all or substantial part of the contents of a database by way of distributing copies. Distribution can take place by renting the database, transmitting it online, or by any other forms of transmission.²¹⁹ Protection to databases under the database right is for 15 years. The requirements relating to Article 7 have been discussed later.²²⁰

²¹⁵*Svenska Spel* (n 211) 49.

²¹⁶*Oy Veikkaus* (n 211); *Svenska Spel* (n 211) & *Organismos* (n 203).

²¹⁷Council Directive 96/9/EC, art 7(2) a.

²¹⁸*ibid* recital 44.

²¹⁹*ibid* art 7(2) b; As discussed before the meaning attached to extraction and re-utilization has similarities attached to the terms of reproduction and rights of communication to public. ECJ in *British Horseracing Board* said that both direct and indirect extraction could constitute infringement of extraction, *British Horseracing Board Limited* (n 212) 12-15. In a more recent case in Case C-545/07 *Apis-Hristovich EOOD v Lakorda AD* [2009] ECDR 13; ECJ has substantially explained the meaning attached to extraction, and how extraction may happen in the context of a database. Similarly in Case C-304/07 *Directmedia Publishing GmbH v Albert-Ludwigs-Universität Freiburg* [2008] ECR I-7565 ECJ developed the principle of extraction in the context of on-screen consultation. As to re-utilization ECJ in C-203/02 said that re-utilization may be both direct and indirect. However, the meaning associated with indirect re-utilization is still not very clear, Beunen (n 210) 168.

²²⁰*Infra* chapter 7.

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