

# EXPLORING EUROPEAN UNION COPYRIGHT POLICY THROUGH THE LENS OF THE DATABASE DIRECTIVE

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## TABLE OF CONTENTS

I.	<b>INTRODUCTION</b> .....	1412
II.	<b>OVERVIEW OF EUROPEAN UNION COPYRIGHT POLICY</b> .....	1413
	A. ANGLO-AMERICAN COPYRIGHT AND THE DEVELOPMENT OF AUTHOR'S RIGHTS IN CONTINENTAL COPYRIGHT .....	1413
	B. DEVELOPMENT OF THE INFORMATION SOCIETY .....	1415
III.	<b>THE FORMULATION OF THE DATABASE DIRECTIVE</b> .....	1419
	A. THE STATE OF PROTECTION FOR COMPILATIONS PRIOR TO THE DATABASE DIRECTIVE .....	1420
	B. THE EMERGENCE OF DATABASE PROTECTION AS A POLICY MATTER .....	1422
	C. THE FORMULATION PROCESS: FROM PROPOSAL TO DIRECTIVE .....	1427
	1. <i>Settling on Sui Generis Protection</i> .....	1427
	2. <i>Pre-Proposal Discussions</i> .....	1430
	3. <i>The Commission Database Proposal</i> .....	1432
	4. <i>The Proposal and Its Amended Text</i> .....	1436
	5. <i>The Council Common Position</i> .....	1439
	6. <i>The Adopted Database Directive</i> .....	1443
	D. TREATMENT OF DATABASES UNDER THE DATABASE DIRECTIVE .....	1445

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IV. QUESTIONING THE WISDOM OF EU POLICY CONCERNING DATABASE PROTECTION .....	1447
A. DOES THE DATABASE DIRECTIVE REALLY MATTER? .....	1448
1. <i>The Availability of Market-Based, Technological, and Legal Mechanisms for Protection of Databases</i> .....	1448
2. <i>Evaluating the Empirical Evidence to Date: No Evidence of Market Failure</i> .....	1449
a) Empirical Part of the Working Paper .....	1451
b) Policy Options of the Working Paper .....	1456
3. <i>The Futility of Reciprocity</i> .....	1456
4. <i>Non-Identical Implementation of the Directive</i> .....	1457
5. <i>Confusion in the Courts</i> .....	1460
6. <i>Persistence of Other Barriers</i> .....	1463
B. POSSIBLE CHALLENGES TO THE DATABASE DIRECTIVE.....	1463
1. <i>National and EU Constitutional Validity</i> .....	1464
2. <i>Invalidity under International IP Conventions</i> .....	1467
V. CONCLUSION .....	1469

## I. INTRODUCTION

This Article explores and evaluates the European Union's ("EU") efforts to integrate its various copyright laws, using the EU's 1996 Database Directive as a case study. Legal scholarship on this subject to date has focused on and criticized only isolated legislative initiatives and directives at the EU level but has not attempted to explore European copyright law policy in a comprehensive manner. Therefore, this Article aims to evaluate overall EU copyright law policy through the lens of the Database Directive.

Part II provides an overview of EU copyright policy and harmonization efforts, specifically touching upon the different copyright traditions among its Member States and the development of the Information Society within both the EU and the wider international arena.

Part III tells the story of how the Database Directive was formulated, starting with how compilations were protected prior to the Directive, how database protection emerged as a policy matter, and how the Directive evolved through the formal policy process. Among other things, the analysis illustrates the Directive's origins within European copyright policy, highlights the Directive's dual copyright/*sui generis* approach, provides a detailed overview of the main revisions to the text of the Directive, and

indicates the key policy players involved in the formulation process. Most importantly, the analysis critically examines EU copyright policy.

Finally, Part IV turns to EU copyright policy as illustrated by the Database Directive, showing the policy's inherent inefficiency as well as the flawed assumptions underlying it.

## II. OVERVIEW OF EUROPEAN UNION COPYRIGHT POLICY

The following overview provides the necessary background for understanding the origins of EU copyright policy in general and database protection in particular. The differences between the copyright and *droit d'auteur* systems are first highlighted in Section II.A. Such differences within the EU proved to be a major hurdle in the EU's harmonization efforts in general and with regard to database protection in particular. Section II.B discusses the emergence of the information society in Europe and illustrates how EU copyright policy was influenced by international developments.

### A. Anglo-American Copyright and the Development of Author's Rights in Continental Copyright

The emergence of commercial markets for literary, artistic, and technical works resulted in the development of copyright law regimes in Europe. Copyright in England was a state-created monopoly right granted to publishers to print, publish, and sell works in return for censorship of certain content.<sup>1</sup> This situation continued until the passage of the Statute of Anne in 1710.<sup>2</sup> In response to lack of competition in the field of publishing, the British Parliament enacted the Statute of Anne in 1710. The statute formed the basis for copyright laws in all Anglo-American countries, such as the United States. The Statute of Anne transformed copyright into a state-created monopoly for a limited term of fourteen years that was available to authors and others named in the Act.<sup>3</sup> Copyright law expanded in its scope and term of protection in the years following the Statute of Anne. By the beginning of the twentieth century, Anglo-American copyright law had developed into a system of economic rights justified as

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1. See LYMAN RAY PATTERSON, COPYRIGHT IN HISTORICAL PERSPECTIVE 28–30 (1968) (discussing the charter of the Stationer's Company and the state's motive for granting it); see also MARK ROSE, AUTHORS AND OWNERS: THE INVENTION OF COPYRIGHT 12–13 (1993) (discussing the state's motive for granting monopoly to the Stationer's Company).

2. ROSE, *supra* note 1, at 13.

3. PATTERSON, *supra* note 1, at 143.

a necessary incentive to bring about the creation of and investment in works for society's well-being.<sup>4</sup>

In other countries in Europe the tradition of authors' rights had developed since the sixteenth through the eighteenth centuries in an almost identical manner to Anglo-American copyright law.<sup>5</sup> For example, in France the Crown granted in return for censorship of content a right to publish.<sup>6</sup> However, after the 1789 French Revolution all the Crown's rights were abolished and authors' rights were subsequently perceived as natural rights granted to authors as a reward for their work.<sup>7</sup> Author's rights, unlike the rights granted under the Statute of Anne, did not depend on formalities such as registration or publication and were available for the life of the author and beyond.<sup>8</sup>

The author's rights system not only provided authors with economic rights to exploit the protected work's value for a limited time<sup>9</sup> like its Anglo-American counterpart, but it also gradually provided authors with moral rights. Moral rights reflected the extension of protection to the author's personality.<sup>10</sup> Such a development ultimately brought about the continental *droit d'auteur* systems.<sup>11</sup> This emphasis on the author's personality as the basis for rights had an impact on the need to balance author's rights with the public interest, which was not as important as in the copyright system.<sup>12</sup>

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4. See Roberta Rosenthal Kwall, *Inspiration and Innovation: The Intrinsic Dimension of the Artistic Soul*, 81 NOTRE DAME L. REV. 1945, 1982–88 (2006).

5. See, e.g., Jane C. Ginsburg, *A Tale of Two Copyrights: Literary Property in Revolutionary France and America*, 64 TUL. L. REV. 991, 997, 1006–14 (1990).

6. *Id.* at 997.

7. *Id.* at 1018–20.

8. *Id.* at 997–998.

9. Neil Netanel, *Copyright Alienability Restrictions and the Enhancement of Author Autonomy: A Normative Evaluation*, 24 RUTGERS L.J. 347, 381–82 (1993) (discussing the “dualist nature” of French author's rights regime).

10. Ginsburg, *supra* note 5, at 993.

11. Roberta Rosenthal Kwall, *Copyright and the Moral Right: Is an American Marriage Possible?*, 38 VAND. L. REV. 1, 12–16 (1985) (comparing artistic protection in the United States and Europe).

12. This development also had an impact on the level of originality required in a work, which has always been held to a higher standard under *droit d'auteur* systems than in copyright systems. As the discussions, *infra* Section III.A, show, these differences between the copyright system and *droit d'auteur* system within the EU proved to be a major hurdle in the EU's harmonization efforts in general and with regard to database protection in particular. The different level of originality required under the two systems, for example, had a major impact on the development of the dual copyright/*sui generis* approach adopted in the Database Directive.

The importance of copyright grew at the national and European level as well as at the international level as a result of a few factors: first, the differences between copyright and author's rights system. Second, information became more important to states' economies. At the international level, this, in turn, led in the late nineteenth and twentieth centuries to the adoption of a few copyright treaties.<sup>13</sup> The most notable change at the international arena, however, occurred during the late 1980s and 1990s when international trade agreements such as the TRIPS Agreement<sup>14</sup> and the North American Free Trade Agreement<sup>15</sup> were adopted and explicitly incorporated copyright regulations as well as other forms of intellectual property. These agreements introduced, *inter alia*, minimum standards of copyright protection and as a result reduced the differences between author's rights and copyright systems.

## **B. Development of the Information Society**

The 1990s brought significant developments in the fields of computers, telecommunications, and information technology. These developments, in turn, stimulated the creation of a new global market for electronic information services and products, a market that is occupied substantially by electronic databases. The emergence of these new technological developments and the global information market challenged many traditional branches of the law, including intellectual property law. A particularly

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13. In 1886, the Berne Convention for the protection of literary works was adopted. *See* Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, 828 U.N.T.S. 221, as last revised at Paris, July 24, 1971, S. Treaty Doc. No. 99-27, 1161 U.N.T.S. 3 [hereinafter Berne Convention]. The Universal Copyright Convention was then adopted in 1952 to harmonize agreements between Berne Convention members and nonmembers. *See* The Universal Copyright Convention, Sept. 6, 1952, 6 U.S.T. 2731, 216 U.N.T.S. 134, as last revised at Paris, July 24, 1971, 25 U.S.T. 1341, 943 U.N.T.S. 178. Additionally, different international organizations concluded additional agreements during the 1960s and 1970s in response to technological changes and growth in trade in informational works. *See, e.g.*, Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, Oct. 26, 1961, 496 U.N.T.S. 43; Geneva Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of their Phonograms, Oct. 29, 1971, 25 U.S.T. 309, T.I.A.S. No. 7808 [hereinafter Geneva Phonograms Convention]; Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite, May 21, 1974, 1144 U.N.T.S. 3.

14. Agreement on Trade-Related Aspects Of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round of Multilateral Trade Negotiations, 33 I.L.M. 81 (1994) [hereinafter TRIPs Agreement].

15. North American Free Trade Agreement, U.S.-Can.-Mex., Dec. 17, 1992, 107 Stat. 2057, 32 I.L.M. 605 (1993).

prominent part of this debate centers on how the law should address the protection of electronic databases.<sup>16</sup>

The EU Commission introduced its initial information policies and agenda in a series of a few major documents.<sup>17</sup> The most crucial statements were reflected in the 1988 Green Paper<sup>18</sup> and the 1991 "Follow-Up" Paper,<sup>19</sup> which provided a working program concerning future information

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16. The debate over database protection can be traced to the U.S. Supreme Court's seminal decision in *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991). Legal scholarship discussing *Feist* abounds. See, e.g., Miriam Bitton, *Trends in Protection for Informational Works Under Copyright Law During the 19th and 20th Centuries*, 13 MICH. TELECOMM. & TECH. L. REV. 115 (2006) (providing a historical analysis regarding the "industrious collection" doctrine as well as the "sweat of the brow" doctrine); J.H. Reichman, *Legal Hybrids Between the Patent and Copyright Paradigms*, 94 COLUM. L. REV. 2432, 2475-76, 2490-92, 2506-20 (1994) (discussing contraction of lead time due to ease of copying databases and other technologies); Miriam Bitton, *A New Outlook on the Economic Dimension of the Database Protection Debate*, 47 IDEA 93, 99-100 (2006) [hereinafter *Economic Dimension*] (discussing "free riding" problem with respect to databases and Reichman's analysis); ANSELM KAMPERMAN SANDERS, UNFAIR COMPETITION LAW: THE PROTECTION OF INTELLECTUAL AND INDUSTRIAL CREATIVITY 100 n.15 (1997) ("Competition is essentially a process of the formation of opinion: by spreading information . . . [i]t creates the views people have about what is best and cheapest.") (quoting F. A. HAYEK, *Economics and Knowledge*, in INDIVIDUALISM AND ECONOMIC ORDER 106 (1948)); see also *Collections of Information Antipiracy Act: Hearing on H.R. 354 Before the Subcomm. on Courts and Intellectual Property of the H. Comm. on the Judiciary*, 106th Cong. 189 (1999) [hereinafter *The 1999 CIAA Hearing*] (statement of Joshua Lederberg, Nobel laureate, on behalf of NAS, NAE, IOM, and the AAAS).

17. International developments, mainly in the United States, also served as a catalyst for action in the EU concerning the creation of the so-called "information society" through the expansion of telecommunication and information services. In the early 1990s, governments in Japan and North America acknowledged the importance of new communication and information technologies for socio-economic growth. In the United States, the new Clinton administration established the Information Infrastructure Task Force ("IITF") in 1993. The IITF introduced the National Information Infrastructure ("NII") agenda, emphasizing information policy in U.S. industrial policy. See *The National Information Infrastructure: Agenda for Action*, Administration Policy Statement, 58 Fed. Reg. 49,025 (Sept. 21, 1993). Similar organizations also emerged in Japan. See MINISTRY OF INT'L TRADE & INDUS., PROGRAM FOR ADVANCED INFORMATION INFRASTRUCTURE (1994), available at <http://www.ifla.org.sg/II/asiapac.htm>; INSTIT. OF INTELLECTUAL PROP. (IIP), MULTIMEDIA COMMITTEE, PREDICTED PROBLEMS AND POSSIBLE SOLUTIONS FOR ADMINISTERING INTELLECTUAL PROPERTY RIGHTS IN A MULTIMEDIA SOCIETY 62 (1995).

18. Comm'n of the European Communities, *Commission Green Paper on Copyright and the Challenge of Technology: Copyright Issues Requiring Immediate Action*, COM (1988) 172 final (June 7, 1988).

19. Comm'n of the European Communities, *Follow-up to the Green Paper: Working Programme of the Commission in the Field of Copyright and Neighbouring Rights*, COM (1990) 584 final.

policy directives. Additionally, the “Delors White Paper,”<sup>20</sup> which the Council later approved in its “Bangemann Report”<sup>21</sup> and follow-up action plan<sup>22</sup> also proved crucial because it was designed to create a European Information Society (“EIS”) and supported the “laissez-faire” approach as a means to achieve the creation of the information society.<sup>23</sup>

Alongside the 1988 White Paper,<sup>24</sup> the 1991 “follow-up” Paper<sup>25</sup> and the release of the Commission’s “Bangemann Report” and action plan, Directorate General XV (DGXV) of the Commission also considered possible reforms in the field of copyright law in light of the emergence of the “information superhighway.”<sup>26</sup> However, DGXV found that most Member States were not interested in major copyright law reform at the EU level.<sup>27</sup> DGXV’s next step was the consideration of the questions of whether and to what extent digitalization required harmonization of copyright law. It published a second Green Paper on Copyright in July 1995

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20. *Commission White Paper on Growth, Competitiveness, Employment: The Challenges and Ways Forward into the 21st Century*, COM (1993) 700 final (Dec. 5, 1993).

21. Bangemann Group, *Europe and the Global Information Society: Recommendations of the High-Level Group on the Information Society to the Corfu European Council*, Bulletin of the European Union, Supplement No. 2/94 (May 26, 1994) [hereinafter Bangemann Report].

22. The Corfu European Council invited the Commission to prepare an Action Plan to implement the recommendations in its initial report. See European Comm’n, *Europe’s Way to the Information Society: An Action Plan*, COM (1994) 347 final (July 19, 1994) [hereinafter *Europe’s Way*].

23. See Frederick W. Pfister, *Net Neutrality: An International Policy for the United States*, 9 SAN DIEGO INT’L L.J. 167, 184–85 (2007). Interestingly, although the U.S. government is traditionally perceived as supportive of laissez-faire more than the EU, the government took a more active role in shaping the NII. However, despite the initial market zeal of the Bangemann report, there had been an increasing realization in a need for state involvement to ensure the successful development of the Information Society. See William H. Dutton et al., *The Politics of Information and Communication Policy: The Information Superhighway*, in INFORMATION AND COMMUNICATION TECHNOLOGIES: VISIONS AND REALITIES 400–03 (William H. Dutton ed., 1996).

24. Comm’n of the European Communities, *Commission Green Paper on Copyright and the Challenge of Technology: Copyright Issues Requiring Immediate Action*, COM (1988) 172 final (June 7, 1988).

25. Comm’n of the European Communities, *Follow-up to the Green Paper: Working Programme of the Commission in the Field of Copyright and Neighbouring Rights*, COM (1990) 584 final.

26. See *Europe’s Way*, *supra* note 22, at 5.

27. DGXV distributed a questionnaire and held a public hearing. See DGXV/E/4 Questionnaire on Copyright and Related Rights in the Information Society, June 2, 1994 (exploring the following six subjects: evolution of the superhighways; scope of the information infrastructure; identification and clearance of rights; choice of legal regime; review of existing regimes; other relevant issues).

that reflected its findings.<sup>28</sup> Similar to the first 1988 copyright Green Paper, the 1995 Green Paper overtly favored the economic interests of right holders over rights of authors and users of information products, relying on harmonization and the removal of barriers to the internal market as a justification.<sup>29</sup>

During the first half of 1996, the Commission held a public hearing and a conference and as a result decided to adopt its follow-up communication in November 1996, outlining four areas requiring legislative action: (1) the legal protection of anti-copying systems; (2) the distribution right; (3) the reproduction right; and (4) the communication to the public right of "on-demand" services.<sup>30</sup> Additionally, the Commission identified some areas for further studying: the broadcasting right; rights management; moral rights; and questions of jurisdiction, applicable law, and enforcement.<sup>31</sup> This follow-up communication aimed to remove obstacles to trade and competition in copyrighted products.

Last, during the 1990s, there had also been a consideration of the question whether digitalization required copyright law reform at the World Intellectual Property Organization (WIPO).<sup>32</sup> As early as 1989, WIPO had already started working on a protocol to the Berne Convention that would adapt it to the digital era. Additionally, and also in response to challenges posed by new technologies, WIPO introduced three new treaties in its 1996 diplomatic conference: a treaty on literary and artistic works (Copyright Treaty), a treaty on the rights of performers and phonogram producers (New Instrument), and a treaty on databases.<sup>33</sup> While WIPO, the Unit-

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28. Comm'n of the European Communities, *Green Paper on Copyright and Related Rights in the Information Society*, at 66, COM (1995) 382 final (July 27, 1995) [hereinafter 1995 Green Paper].

29. See generally *id.*; Commission *Green Paper on Copyright and the Challenge of Technology: Copyright Issues Requiring Immediate Action*, COM (1988) 172 final (June 7, 1988) [hereinafter 1988 Green Paper].

30. Comm'n of the European Communities, *Follow-up to the Green Paper on Copyright and Related Rights in the Information Society*, at 15-27, COM (1996) 568 final (Nov. 20, 1996).

31. *Id.* at 20-28.

32. See WORLD INTELLECTUAL PROP. ORG. [WIPO], WIPO WORLDWIDE SYMPOSIUM ON THE INTELLECTUAL PROPERTY ASPECTS OF ARTIFICIAL INTELLIGENCE, STANFORD UNIVERSITY (MAR. 25-27, 1991) (1991). For an examination of WIPO's digital agenda, see Mihály Fiscor, *Towards a Global Solution: The Digital Agenda of the Berne Protocol and the New Instrument: The Rorschach Test of Digital Transmissions*, in THE FUTURE OF COPYRIGHT IN A DIGITAL ENVIRONMENT 111 (P. Bernt Hugenholtz ed., 1996).

33. Provisional documents (Aug. 30, 1996), which set out the basic proposals for the WIPO conference, promoted an agenda in favor of right holders. The late release date of

ed States, and the EU all supported these draft treaties,<sup>34</sup> only the first two treaties were eventually adopted.<sup>35</sup>

### III. THE FORMULATION OF THE DATABASE DIRECTIVE

Part III proceeds to discuss the formulation of the Database Directive in the EU. Section III.A begins with a discussion of protection mechanisms for compilations that pre-date the Database Directive. The discussion points to the very different ways in which EU Member States protected compilations. A discussion of these differences explains many of the challenges introduced during the formulation process of the Directive. Section III.B then discusses the reasons for the emergence of database protection as a policy issue, pointing to different factors that suggest EU copyright policy was not motivated only by harmonization aspirations and consideration of the subject in the international arena, but also by a desire to regulate the level of investment in database production in the community and internationally.

Section III.C discusses the formulation process of the Database Directive. It discusses different phases in the consideration of the Directive, shedding light on important developments that occurred during each phase while also critically discussing each phase. The discussion also highlights some of the characteristics of EU copyright law policy. Specifically, Section III.C discusses why the EU settled on the dual copyright/*sui generis* model, showing that it was probably an inevitable approach to take given the differences in the copyright regimes of the Member States. It then turns to discuss the different phases of the consideration of the Directive: pre-proposal discussions, the Commission Database Proposal, the Council Common Position, and the adopted Database Directive. Finally, Section III.D discusses the Database Directive in its final form. It focuses on

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these documents also limited the time available for consultation and debate with users groups, among others. The provisional documents were as follows: Basic Proposal for the Substantive Provisions on the Protection of Literary and Artistic Works, WIPO Doc. CRNR/DC/4 (Aug. 30, 1996) (prepared by Director General) – this was supposed to be the new protocol to the Berne Convention; Basic Proposal for the Substantive Provisions on the Protection of the Rights of Performers and Producers of Phonograms, WIPO Doc. CRNR/DC/5 (Aug. 30, 1996) (prepared by the Chairman of the Committee of Experts) – this was supposed to be the new instruments; Basic Proposal for the Substantive Provisions of a Treaty on Databases, WIPO Doc. CRNR/DC/6 (Aug. 30, 1996) (prepared by the Chairman of the Committee of Experts).

34. Pamela Samuelson, *The US Digital Agenda at WIPO*, 37 VA. J. INT'L L. 369, 387–88 (1997).

35. The database proposal was dropped, but it is still on WIPO's agenda for future action.

treatment of databases and the actual implementation of the dual copyright/*sui generis* model.

The discussion below serves a few goals. First, it points to the issues that proved controversial during the formulation process as well as the main changes that ultimately occurred, exposing the depth of exploring the subject by the EU. Second, it reveals that there had not been a serious debate at all levels of the EU institutions regarding whether protection was actually needed. Third, it shows that the proposed Directive was actually strengthened during the formulation process. Fourth, and most importantly, it illustrates that during the consideration of the Directive the database industry was over-represented whereas users and consumer groups were under-represented, a fact that contributed to the adoption of an imbalanced property right in data. This last point clearly shows that the lobby within the EU could effectively mobilize, in part due to concentration interests in the database industry (led mainly by United Kingdom firms). In turn, efforts to organize user interest groups were presumably more complex or cumbersome.<sup>36</sup>

#### A. The State of Protection for Compilations Prior to the Database Directive

Copyright protection for databases or compilations in the EU Member States in the years preceding the Directive's enactment could be divided into three main categories: (1) Member States in which the threshold of originality for compilation copyright was quite low;<sup>37</sup> (2) Member States in which the threshold of originality was a fairly high threshold in the selection and arrangement of the compilation;<sup>38</sup> and (3) Member States that provided protection outside the copyright law framework.<sup>39</sup> Many Member States fell into the second category.<sup>40</sup> Examples of countries belonging to the first, very limited, category include the United Kingdom and Ire-

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36. In the United States, however, database protection beneficiaries were less concentrated than in Europe. There actually existed a split in the database industry concerning database protection. See *Economic Dimension*, *supra* note 16, at 106–107.

37. 1988 Green Paper, *supra* note 29, at 212 ¶¶ 6.4.3-6.4.4; see Jaap H. Spoor, *Copyright Protection and Reverse Engineering of Software: Implementation and Effects of the EC Directive*, 19 U. DAYTON L. REV. 1063, 1065–66 (1994) (reviewing the originality requirements for copyrights in general prior to enactment of any EU Directive).

38. 1988 Green Paper, *supra* note 29, at 211-212 ¶¶ 6.4.1-6.4.3.

39. *Id.* at 213 ¶¶ 6.4.5-6.4.6.

40. See, e.g., MARK J. DAVISON, *THE LEGAL PROTECTION OF DATABASES* 16 (2003) (suggesting that “[t]he standard of originality in many European countries also requires an element of intellectual creativity”).

and,<sup>41</sup> because Anglo-Irish common law incorporated a “sweat of the brow” doctrine for extending copyright protection to unoriginal compilations of factual information, finding labor a basis for copyright protection.<sup>42</sup>

In keeping with the “author’s right” approach that prevails throughout most of Continental Europe and defines originality as an expression of the author’s personality, countries in the second category included most *droit d’auteur* regimes.<sup>43</sup> For example, in Germany, apart from the protection offered under “Kleine Münze” (meaning small change) to certain works that exhibit very limited creativity such as simple maps,<sup>44</sup> compilations were eligible for copyright protection only when they exhibited sufficient intellectual creativity in their selection and arrangement. However, these states’ information compilers were not left entirely unprotected because many states provided a remedy against wholesale copying through unfair competition laws regardless of the originality of the work.<sup>45</sup>

Finally, since the early 60s Nordic countries and The Netherlands provided protection under copyright law.<sup>46</sup> The copyright acts of all Nordic countries—Denmark, Finland, Iceland, Norway and Sweden—contain a “catalogue rule” provision.<sup>47</sup> Such “catalogue rule” provisions expressly protect non-original compilations of data, such as catalogues, tables, and similar compilations, provided they contain many items.<sup>48</sup> For example,

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41. *Id.* at 126–29 (discussing Ireland), 143–58 (discussing the U.K.).

42. *Id.*; see also Spoor, *supra* note 37, at 1066. In a 1959 case concerning the use by a pools promoter of the football fixtures list, the Judge concluded that because the Football League through its employees had expended “skill, labour, times, judgment and ingenuity” in preparing the fixture list, it was entitled to copyright protection. *Football League Ltd. v. Littlewoods Pools Ltd.*, (1959) Ch. 637, 654.

43. DAVISON, *supra* note 40, at 16–17; see also Silke von Lewinski, *Copyright in Central and Eastern Europe: An Intellectual Property Metamorphosis*, 8 FORDHAM INTEL. PROP. MEDIA & ENT. L.J. 39 (1997).

44. Silke von Lewinsky, *Protection of and vis-à-vis Databases: Germany*, in COPYRIGHT IN CYBERSPACE 480–481 (Marcel Dellebeke ed., 1996); see also P. Bernt Hugenholtz, *Protection of Compilations of Facts in Germany and the Netherlands*, in PROTECTING WORKS OF FACTS: COPYRIGHT, FREEDOM OF EXPRESSION AND INFORMATION LAW 59, 62–63 (Egbert J. Dommering & P. Bernt Hugenholtz eds., 1991) [hereinafter Hugenholtz, *Compilations of Facts*].

45. See DAVISON, *supra* note 40, at 103. For discussion of specific countries see *id.* at 115–16 (France), 123–24 (Germany).

46. *Id.* at 59 n.41 (Nordic countries), 133 (The Netherlands).

47. Gunnar W.G. Karnell, *The Nordic Catalogue Rule*, in PROTECTING WORKS OF FACTS: COPYRIGHT, FREEDOM OF EXPRESSION AND INFORMATION LAW 67 (Egbert J. Dommering & P. Bernt Hugenholtz eds., 1991); see also Hugenholtz, *Compilations of Facts*, *supra* note 44, at 59, 63–64.

48. Karnell, *supra* note 47, at 67.

the Danish Copyright Act allowed protection for tables, catalogues, and other works that compile information.<sup>49</sup> The information compiled need not exhibit originality and the protection is only against reproduction, which lasts for only ten years or under certain circumstances for fifteen years.<sup>50</sup>

These differences between Member States are not surprising given the different traditions within the EU of author's rights and copyright. Only by the mid-1980s, did debate emerge as to copyright law protection for electronic databases.<sup>51</sup> However, the EU started introducing initiatives regarding database protection only once the economic importance of such products in the market for information products increased.<sup>52</sup> Providing incentives for the creation of databases was part of the EU's general agenda of removing obstacles to the creation of a European information services market.<sup>53</sup>

## B. The Emergence of Database Protection As a Policy Matter

The database protection debate is one of the most disputed issues in intellectual property law and thus serves as a good case study for examining the EU's copyright policy. By analyzing how the Database Directive first emerged as a policy issue and then was formulated, as well as considering its passage in light of EU copyright harmonization efforts, we can see the EU's intellectual property law policy-making process.

A number of factors contributed to the emergence of database protection as a policy matter and provided a catalyst for harmonization in this field. First, the rapid expansion of the Internet raised the EU's awareness of the growth in the magnitude of information created and processed every

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49. 1988 Green Paper, *supra* note 29, at 213.

50. *See* Karnell, *supra* note 47, at 68–69.

51. *See, e.g.*, Comm'n of the European Communities, *The Establishment at Community Level of a Policy and a Plan of Priority Actions for the Development of an Information Services Market*, at 4–5 ¶ 3, COM (1987) 360 final (Sept. 2, 1987) [hereinafter *Establishment of Policy*]; 1988 Green Paper, *supra* note 29, at 207–217 ¶ 6; David P. Lewis, *Copyright Aspects of Databases*, 4 *COMPUTER L. & PRACTICE* 2 (1987).

52. *Establishment of Policy*, *supra* note 51, at 4–5 ¶ 3.

53. *See* 1988 Green Paper, *supra* note 29, at 207; Comm'n of the European Communities, *Proposal for a Council Directive on the Legal Protection of Databases*, at 16, COM (1992) 24 final (May 13, 1992) [hereinafter *Proposal for a Council Directive*] (“In view of the uncertainty and possible divergence of interpretation which surround the protection of databases at present, there is clearly a need to establish at least a basic harmonized framework.”).

year in the different fields of industry and commerce, and the important role of databases for the evolution of a market for information products.<sup>54</sup>

The debate gained worldwide prominence due to a number of initiatives that extended some protection to databases and contemplated even more extensive protection. Notably, the TRIPs Agreement<sup>55</sup> introduced minimum standards regarding copyright protection for databases.<sup>56</sup> Discussion in WIPO considered the provision of significantly broader intellectual property rights in databases than in the United States under *Feist*.<sup>57</sup> In August 1996, the WIPO distributed a draft text entitled “Basic Proposal for the Substantive Provisions of the Treaty on Intellectual Property in respect of Databases” that introduced a *sui generis* right in databases.<sup>58</sup> Generally, this proposal protects the “substantial investment in the collection, assembly, verification, organization or presentation of the contents” of a database.<sup>59</sup> Additionally, it grants a “right to prohibit or authorize the utilization or extraction of” a substantial part of database contents.<sup>60</sup>

Second, the EU also expressed concerns about the “great imbalance in the level of investment in database creation both as between the Member States themselves, and between the Community and the world’s largest database-producing countries.”<sup>61</sup> The Commission was mainly concerned over the fragmented nature of the EU information market, which was the result of divergent policies within Member States.<sup>62</sup>

As the discussion, *infra*, illustrates, the relative weakness of the European information market stemmed from legal, technological, and linguistic

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54. *Proposal for a Council Directive*, *supra* note 53, at Recitals 8–9.

55. TRIPs Agreement, *supra* note 14.

56. The TRIPs Agreement stated that “[c]ompilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations, shall be protected as such.” *Id.* at art. 10. Similar language is contained in the WIPO Copyright Treaty, art. 5, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 36 I.L.M. 65 (1997).

57. WIPO, *Basic Proposal for the Substantive Provisions of the Treaty on Intellectual Property in Respect of Databases*, WIPO Doc. CRNR/DC/6, notes 1.08-1.10 (Aug. 30, 1996) [hereinafter *Draft Database Treaty*]; *supra* note 16 and accompanying text. The subject of database protection remains on the agenda of the WIPO Standing Committee on Copyright and Related Rights. In practice, however, WIPO’s proposal has been on hold, awaiting U.S. action. See WIPO, Standing Comm. on Copyright & Related Rights, *Report from 11th Session ¶ 9-23* (June 7–9, 2004), available at [http://www.wipo.int/edocs/mdocs/copyright/en/sccr\\_11/sccr\\_11\\_4.pdf](http://www.wipo.int/edocs/mdocs/copyright/en/sccr_11/sccr_11_4.pdf).

58. *Draft Database Treaty*, *supra* note 57, at art. 3.

59. *Id.* at art. 1.

60. *Id.* at art. 3.

61. *Proposal for a Council Directive*, *supra* note 53, at Recital 11.

62. *Id.* at Recital 1-4.

barriers between the Member States themselves and between Member States and the leading players in the international information market, especially the United States and Japan.

The different database protection regimes employed by Member States resulted in substantial legal barriers.<sup>63</sup> Technological barriers were the result of a few factors. First, the digital revolution originated in the United States rather than in Europe. The United States created the Internet, which quickly fostered a prospering Internet economy.<sup>64</sup> The United States also led the field of electronic commerce.<sup>65</sup> Therefore, the EU aspired to pass legislation that would close, or at least narrow, such gaps in legal protection.<sup>66</sup>

By the early 1990s, a debate emerged over the scope of protection available to databases. The Commission viewed the case law developing in this area as evidence that copyright was insufficient to protect electronic databases.<sup>67</sup> One notable decision, *Van Daele v. Romme*<sup>68</sup> (“*Van Daele*”)

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63. See discussion *supra* Section III.A discussing the variance of Member State regimes.

64. Charles R. McManis, *Database Protection in the Digital Information Age*, 7 ROGER WILLIAMS U. L. REV. 7, 29–30 (2001). For an interesting discussion of the origin of the Internet, see generally TIM BERNERS-LEE & MARK FISCHETTI, *WEAVING THE WEB: THE ORIGINAL DESIGN AND ULTIMATE DESTINY OF THE WORLD WIDE WEB BY ITS INVENTOR* (1999).

65. See McManis, *supra* note 64, at 31.

66. See *id.*, at 30–31, 29–30 (2001); see also Mark Powell, *The EC Database Directive: A Revolutionary Means of Protecting Databases*, 2 INT’L COMPUTER LAW. ADVISOR 11 (1994) (“The relative weakness of the European electronics information market is as much due to linguistically fragmented markets and structural deficiencies (low installed base of CD-ROM drives and prohibitively expensive telecommunications services in particular) as to any legislative inadequacy.”); see generally U.N. Conference on Trade & Dev., Trade and Dev. Bd., *Can Electronic Commerce Be An Engine for Global Growth? Electronic Commerce and the Integration of Developing Countries and Countries with Economies in International Transition in International Trade*, U.N. Doc. TD/B/COM.3/23 (June 1, 1999) (providing figures showing the massive dominance of the United States in the field of e-commerce and business-to-business transactions). Interestingly, given the large number of languages within the EU, markets were less competitive with regard to database products because of elimination of economies of scale pertaining to databases’ production that is language-based. There is greater demand for English-based databases, most notably in the field of business transactions, because English is the preferred language in many contexts. Since software is vital for database creation, the U.S. gains an additional lead over the EU. Moreover, nearly 50% of Americans rely on Internet-based data, resulting in high demand for data in the English language. See McManis, *supra* note 64, at 31–32.

67. The Commission pointed explicitly to the *Feist* decision in its Explanatory Memorandum accompanying its proposal, expressing concern that under *Feist* “it may well be that electronic databases as well as collections in paper form, which do not meet the

in the Netherlands, raised concern regarding the adequacy of copyright protection for databases within the EU.<sup>69</sup>

In *Van Daele*, the plaintiff, a publisher of a leading Dutch language dictionary, brought a copyright infringement suit against the defendant, Mr. Romme, who had copied the 230,000 keyword entries in the plaintiff's dictionary into his electronic database and offered the database to crossword enthusiasts. The words were not stored alphabetically in the defendant's electronic database.<sup>70</sup>

The Utrecht District Court and the Amsterdam Court of Appeals both granted an injunction against the defendant, holding that the plaintiff's selection of keywords was original under Dutch compilation copyright law.<sup>71</sup> However, in January 1991 the Hoge Raad (Dutch Supreme Court)

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test of originality, will be excluded from copyright protection regardless of the skill, labour, effort, or financial investment expended in their creation." *Proposal for a Council Directive*, *supra* note 53, at 17.

68. Romme/*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 (Egbert J. Dommering & P. Bernt Hugenholtz eds., 1991) [hereinafter Romme, PROTECTING WORKS OF FACTS].

69. Soon after *Van Daele*, the U.S. Supreme Court issued its seminal decision in *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991). The Court decided that a work must be original to the author and must possess at least some minimal degree of creativity. *Id.* at 345. The Court also decided that originality is constitutionally mandated, stemming from the Constitution's Copyright and Patent Clause that aims to promote the "Progress of Science and the useful Arts." *Id.* at 346. The Court's decision also clarified that its holding means that the "copyright in a factual compilation is thin" and that "subsequent compiler remains free to use the facts contained in another's publication in preparing a competing work." *Id.* at 349. For further analysis of *Feist* and its influence on international copyright protection, see *Proposal for a Council Directive*, *supra* note 53, at 17; W. Matthew Wayman, *International Database Protection: A Multilateral Treaty Solution to the United States' Database Dilemma*, 37 SANTA CLARA L. REV. 427, 439 (1997); Clive D. Thorne, *The Infringement of Database Compilations: A Case for Reform?*, 9 EUR. INTEL. PROP. REV. 331, 332 (1991) (arguing that although these judgments show a high level of protection potentially available to protect databases in the UK, "recent developments outside the United Kingdom show a preferable pattern for the protection of compilations," including the *Feist* judgment). *Feist* also contributed to the emergence of database protection as a policy matter at the international level in both the WIPO that considered the inclusion of database protection in a protocol to the Berne Convention, and in the WTO that discussed the harmonization of database protection during the negotiations of the TRIPs Agreement. The discussion of the matter internationally had probably also indirectly contributed to the emergence of database protection as a policy matter in the EU. See Wayman, *supra*, at 462–465.

70. Romme, PROTECTING WORKS OF FACTS, *supra* note 68, at 94.

71. *Id.* at 93–94.

overturned this decision, finding that a compilation of factual data does not meet the originality threshold and as a result cannot be protected by copyright:

[S]uch a collection is in itself no more than a number of factual data which do not in themselves qualify for copyright protection. This would be otherwise only if that collection were the result of a selection process expressing its *maker's personal views*.<sup>72</sup>

The court allowed the plaintiff to bring an appeal on its decision to the Court of Appeals in The Hague.<sup>73</sup> The Appellate Court confirmed the original Amsterdam Court of Appeals decision, finding that the plaintiff's selection of keywords for the dictionary reflected the personal view of the author regarding the nature of the current Dutch language.<sup>74</sup> Therefore, the dictionary was found eligible for copyright protection.<sup>75</sup>

Notwithstanding the reversal of the Supreme Court decision and the finding that the plaintiff's work was eligible for copyright protection, the case was significant in the EU because it raised awareness and signaled the limits of the protection available to factual compilations. The decision suggests that compilations of factual data do not meet the originality requirement.<sup>76</sup> Although this case does not necessarily provide evidence that there exists a problem that needs to be remedied, which I argued in a different Article,<sup>77</sup> the EU institutions failed to grasp and assess the limited importance of the decision. Rather than exploring whether such decisions proved the existence of market failure in the database sector, asking what other legal, technological, and economic mechanisms database producers employ in the information market, or determining whether such mechanisms provide sufficient incentives to create databases, the EU accepted as given the underlying economic assumptions of proponents of database protection and assumed that with no legal protection producers will have no incentive to produce databases.<sup>78</sup>

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72. *Id.* at 95 (emphasis added).

73. See P. Bernt Hugenholtz, *Chronicle of The Netherlands: Dutch Copyright Law, 1990-1995*, 187 REVUE INTERNATIONALE DU DROIT D'AUTEUR 110 (2001), available at <http://www.ivir.nl/publications/hugenholtz/PBH-RIDA2000.doc>.

74. *See id.*

75. *See id.*

76. *Id.*

77. See generally *Economic Dimension*, *supra* note 16, at 139-141.

78. Council Directive 96/9, Legal Protection of Databases, art. 9, 1996 O.J. (L 77/20) (EC) [hereinafter Database Directive] ("The making of databases requires the investment of considerable human, technical and financial resources while such databases

In summary, database protection emerged as a policy matter due to a few discernible policy factors: the expansion of the internet that in turn raised awareness to the role of databases in the development of the information market; the imbalance in the level of investment in database creation amongst Member States and between the community and the major international players in the global database market; concerns over the existence of legal, technological, and linguistic barriers between Member States; the issuance of the The Netherlands' courts decisions in *Van Daele*; and the attention given to the subject in the international arena.

The discussion that follows explores the action taken by the EU regarding database protection in response to these factors by closely looking at the formulation process of the Database Directive.

### C. The Formulation Process: From Proposal to Directive

#### 1. *Settling on Sui Generis Protection*

By 1986 the Commission began considering the subject of database protection.<sup>79</sup> The Commission first focused on copyright law as a harmonization's path for databases protection. This emphasis on copyright law was partly due to the use of copyright law as a means for protecting computer software<sup>80</sup> as well as the international acceptance of the need to rethink the applicability of copyright doctrines to the computer environment.<sup>81</sup> However, it is possible that the Commission eventually pursued a dual copyright/*sui generis* approach in its database proposal, probably due to a lack of clarity in the Commission and the Member States regarding copyright protection for electronic databases.<sup>82</sup>

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can be copied or accessed at a fraction of the cost needed to design them independently.”).

79. Comm'n of the European Communities, Questionnaire Relating to Provisions of National Copyright Laws of Specific Importance for the Operations of Computerised Information Systems, submitted to the DGXIII Legal Advisory Board (1986).

80. See discussion *supra* Section III.B.

81. See Intergovernmental Comm. of the Universal Copyright Convention, *Report of the Second Committee of Governmental Experts on Copyright Problems Arising from the Use of Computers for Access to or the Creation of Works*, UNESCO/WIPO/CEGO/II/7 (Aug. 13, 1982).

82. 1988 Green Paper, *supra* note 29, at 211-214 ¶ 6.4 (“The protection accorded to databases relates under existing national legislation and international conventions to the characteristics of the works stored therein, rather than to the database itself as a collection of information.”); see also Jean Paul Triaille, *Can You Copy Maps and the Facts They Contain?*, *MANAGING INTELL. PROP.* 31, 39-40 (Dec. 1991) (discussing the scope of database protection as well as the protection of the individual components of a database).

As a result, the Commission's 1988 Copyright Green Paper<sup>83</sup> was inconclusive regarding copyright protection for electronic databases.<sup>84</sup> Also, it is possible that inaction concerning database protection can be attributed to the discussion of the Software Directive proposal as well as lack of industry interest.<sup>85</sup> Discussion of the subject resumed only during an April 1990 public hearing.<sup>86</sup> Most interested parties supported only copyright solutions to the database protection problem.<sup>87</sup>

The Commission disclosed its plan to introduce a copyright solution in a 1990 follow-up document to the Green Paper.<sup>88</sup> There are a few ways to explain this initial anti-*sui generis* approach.<sup>89</sup> First, perhaps most interested parties believed that electronic databases already enjoyed meaningful copyright protection as well as other forms of legal protection similar to their old-fashioned print predecessors. For example, in the United Kingdom, the "sweat of the brow" doctrine was applicable to databases.<sup>90</sup> Second, the EU may have wished to avoid potential conflicts with non-EU states and the international community in general; a *sui generis* regime would have constituted a departure from accepted forms of protection un-

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83. 1988 Green Paper, *supra* note 29.

84. *Id.* at 208 ¶ 6.3.1, 216 ¶ 6.7.1.

85. Comm'n of the European Communities, *Follow-up to the Green Paper: Working Programme of the Commission in the Field of Copyright and Neighbouring Rights*, COM (1990) 584 final, 18 [hereinafter *Working Programme*] ("The hearing confirmed that there was overwhelming support from right holders for protection of databases by means of copyright. No support was expressed for a '*sui generis*' approach.").

86. Prior to this public hearing, the Commission sent out a questionnaire to interested parties regarding database protection. See P. Gibbons, *EEC Hearing on Copyright and Databases*, NEWSIDIC No. 102 (European Association of Information Services, Amersfoort, Neth.), Aug. 1990, at 5.

87. Written Interview with Dr. Jens Gaster, Principal Administrator, Industrial Property Unit, DG Internal Market Directorate D2, European Commission (Dec. 8, 2008) [hereinafter *Gaster Written Interview*] (suggesting that "Anglo-Saxon EU interest supported this approach since they wished to maintain (optionally?) sweat of the brow copyright (which never existed in Continental Europe)" and also suggesting that "at the time the focus was on electronic on-line databases, thus mainly on UK industry"); Comm'n of the European Communities, *Follow-up to the Green Paper: Working Programme of the Commission in the Field of Copyright and Neighbouring Rights*, COM (1990) 584 final, 18 [hereinafter *Working Programme*] ("The hearing confirmed that there was overwhelming support from right holders for protection of databases by means of copyright. No support was expressed for a '*sui generis*' approach.").

88. *Working Programme*, *supra* note 85.

89. *Id.* at 18.

90. See Paula Baron, *Back to the Future: Learning from the Past in the Database Debate*, 62 OHIO ST. L.J. 879, 895 (2001) ("Sweat of the brow theory" is the basis for copyright protection of compilations in the United Kingdom" and applies to databases via case law.).

der international intellectual property law. Last, it is possible that some of the Member States may not have understood the problems caused by the application of copyright law to a database's underlying content or raw data.<sup>91</sup>

Despite this initial anti-*sui generis* solution approach of both the Commission and interested parties, the Commission realized the possible economic contribution of the information sector to the economies of Member States.<sup>92</sup> In light of U.S. companies' continued dominance in this sector, the Commission wanted to improve the EU market share in providing electronic information services both in European markets and worldwide.<sup>93</sup> In order to achieve this goal, the Commission believed that guaranteeing adequate protection for electronic databases was essential.<sup>94</sup> Furthermore, the Commission realized that the marked differences between the different copyright traditions within the EU would yield significant differences in protection between Member States.<sup>95</sup> The dominance of author's rights countries in the EU prevented the Commission from adopting a common law "sweat of the brow" solution approach for database protection because such a solution would not meet the high originality threshold in author's rights countries.<sup>96</sup> However, introduction of a *sui generis* right

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91. George Metaxas, *Protection of Databases: Quietly Steering in the Wrong Direction?*, 12 EUR. INTELL. PROP. REV. 227, 227 (1990) ("As a result, the first comments on behalf of the interested circles have, in some cases, simply missed the question (which only relates to the mode of compilation), wrongly confusing it with the issue of the protection of existing copyright works which are incorporated into a database.").

92. *Proposal for a Council Directive*, supra note 53, at ¶¶ 1.2, 2.1.1.

93. *Id.* at ¶ 1.1.

94. *Id.* at ¶¶ 1.1, 1.4, 2.2.11.

95. *Id.* at 15.

The legislation of the Member States probably serves to protect collections or compilations of works or other material by copyright either as works under Article 2(1) or as collections under Article 2(5) of the Berne Convention but it is unclear whether in all cases such protection extends to 'databases' and to electronic databases in particular . . . it is certainly the case that different results will be obtained in practice by the application of the legislation of the Member States to a given database.

*Id.* at 15.

96. See Opinion on the Proposal for a Council Directive on the Legal Protection of Databases, 1993 O.J. (C19/02), ¶ 2.6.2 [hereinafter Committee Opinion].

It would be wrong to compromise on the question of whether or not something should be protected by allowing a measure of short-term intellectual property protection with a compulsory license. It is preferable to take a decision on whether something qualifies for protection and, if so, then to grant intellectual property protection of a high standard.

bypassed this problem. In addition, the hurdles faced in reaching an agreement concerning the originality level during negotiations for the Software Directive also contributed to the realization of the Commission that a *sui generis* solution approach would avoid potential conflicts.<sup>97</sup> Finally, the significant differences between old-fashioned print compilations and electronic databases, and the resulting inability to accommodate the latter through copyright law, motivated the Commission to promote a *sui generis* approach.<sup>98</sup>

## 2. *Pre-Proposal Discussions*

The Commission began its work on preparing a proposal pertaining to database protection by May 1991, realizing that additional measures were necessary and considering different forms of protection such as contracts, unfair competition, neighboring rights, and *sui generis* right.<sup>99</sup> In August 1991, the Commission released a draft proposal for a directive for internal consultation within the Commission. This initial consultation involved a few Commission Directorates General (DG).<sup>100</sup> Naturally, different Directorates were involved to different degrees. First, Directorates General 1 (DG1) (external economic relations), Directorates General X (DGX) (audio-visual, information, communication, and culture), and Directorates General XXIII (DGIII) (enterprise policy, distributive trade, tourism, and

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*Id.*

97. International copyright agreements, like most national copyright laws, lack explicit definitions of originality. *See, e.g.*, Berne Convention, *supra* note 13. These agreements also provide no definition of what constitutes a work either in terms of quantity or quality. The originality approach adopted in the Software Directive was whether the work was the “author’s own intellectual creation.” Council Directive 91/250/EEC, On the Legal Protection of Computer Programs, 1991 O.J. (L 122/42) (EC) [hereinafter Software Directive]. For a thorough analysis of the Software Directive see BRIDGET CZARNOTA & ROBERT J. HART, LEGAL PROTECTION OF COMPUTER PROGRAMS IN EUROPE: A GUIDE TO THE EC DIRECTIVE 43–45 (1991).

98. Metaxas, *supra* note 91, at 234.

One can only hope that, eventually, the inevitability of a *sui generis* solution for databases will gradually be appreciated after all and the tide will be reversed. We may then come to terms with the unpalatable but inevitable truth: copyright provisions cannot be stretched infinitely in order to reach the parts other intellectual property rights cannot reach.

*Id.*

99. Written Interview with Mr. Jean-Paul Triallie, Partner, De Wolf & Partners, Brussels, Belgium, (Dec. 10, 2008).

100. Telephone Interview with Dr. Jens Gaster, Principal Administrator, Industrial Property Unit, DG Internal Market Directorate D2, European Commission (Apr. 18, 2008) [hereinafter Gaster Interview]; *see also Proposal for a Council Directive, supra* note 53.

cooperation) supported the draft of the proposal.<sup>101</sup> However, DG1 also expressed concerns regarding some of the proposal's elements regarding the unfair extraction right and the reciprocity provision because they constitute departure from acceptable international norms under the Berne Convention, namely the reciprocity provision and the unfair extraction right.<sup>102</sup> DGX and DGXXIII also found the text of the draft proposal complex.<sup>103</sup> Additionally, Directorates General IV (DGIV) (competition) and DGXIII expressed concerns regarding the potential anti-competitive effects of the draft proposal, and continued to be involved on this issue throughout the formulation process.<sup>104</sup>

Last, DGXIII was very involved in the different phases of the formulation process and was mainly disturbed by the vagueness of certain definitions employed in the proposal.<sup>105</sup>

As a result of these consultations, the draft proposal was amended and the Commission adopted the draft in January 1992<sup>106</sup> and in May 1992 it was presented to the Council.<sup>107</sup> It is unclear whether there was any involvement of external entities such as Member States, other EU institutions, or others in drafting the proposal.<sup>108</sup> After 1992, however, it is clear that different interest groups, such as the information industry and other industries, became more involved.<sup>109</sup> It is possible that because the draft proposal pertained to a specialized market, interest groups' involvement was minimal at first.<sup>110</sup> Furthermore, the EU information industry was dominated by the United Kingdom market, and was also in its infancy and relatively small.<sup>111</sup> Most interested parties were therefore inexperienced

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101. Gaster Interview, *supra* note 100.

102. *Id.*

103. *Id.*

104. *Id.* DGIV had commissioned its own study on copyright and information. See VINCENT PORTER, COPYRIGHT AND INFORMATION: LIMITS TO THE PROTECTION OF LITERARY AND PSEUDO-LITERARY WORKS IN THE MEMBER STATES OF THE EUROPEAN COMMUNITIES, A REPORT PREPARED FOR THE COMMISSION OF THE EUROPEAN COMMUNITIES (DG IV) (1992).

105. Gaster Interview, *supra* note 100.

106. *Proposal for a Council Directive*, *supra* note 53; see also Commission Information Note, *Fighting International Piracy of Databases: European Commission Proposes to Harmonize Legal Protection in the Community*, Jan. 29, 1992; Andrew Hill, *EC Agrees Legal Safeguards for Electronic Databases*, FIN. TIMES, Jan. 30, 1992, at 2.

107. *Proposal for a Council Directive*, *supra* note 53.

108. Gaster Interview, *supra* note 100.

109. *Id.*

110. *Id.*

111. *Id.*; DAVISON, *supra* note 40, at 61 (suggesting that at the time, the UK controlled 60% of the European community database market share).

and could not fully appreciate what was at stake. Last, the progress achieved in the international arena at both WIPO and the WTO regarding copyright protection for databases in the Berne Convention and the TRIPs Agreement, respectively, also probably contributed to the feeling that the proposal dealt inadequately with a major problem.<sup>112</sup>

### 3. *The Commission Database Proposal*

The proposal aimed to provide harmonized and stable legal protection to electronic databases as well as encourage investment in the European information industry.<sup>113</sup> Specifically, the introduction of the most innovative *sui generis* right was meant to “create a climate in which investment in data processing can be stimulated and protected against misappropriation.”<sup>114</sup> This proposal, however, was not the product of a real need or a response to a problem of piracy in the database sector; neither a need nor a piracy problem were shown, and the issues were not even raised during the formulation process.

While not stating so explicitly, the proposal aimed to provide a comparative advantage to database producers from Europe and to exert pressure on competitive rivals, especially the U.S. producers.<sup>115</sup> The methods the proposal employed reflect these aims. The most significant features of the proposal were the definition of the term “database,” the innovative copyright/*sui generis* dual approach to protection, the compulsory license provision, and the provision of protection on reciprocal basis.

Article 1(1) of the proposal defined the term “database” as “a collection of works or materials arranged, stored and accessed by electronic means, and the electronic materials necessary for the operation of the database.”<sup>116</sup> The definition did not cover non-electronic databases<sup>117</sup> or “any computer programme used in the making or operation of the data-

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112. Gaster Interview, *supra* note 100.

113. This Section provides a summary of the main features of the Commission’s proposal that are required for the purposes of this Article. For a more comprehensive legal analysis of the proposal’s text, see generally Peter F. Kunzlik, *Proposed EC Council Directive on the Legal Protection of Databases*, 8 COMPUTER L. & SECURITY REPORT 116 (1992); Michael Pattison, *The European Commission’s Proposal on the Protection of Computer Databases*, 14 EUR. INTELL. PROP. REV. 113 (1992); Charles Oppenheim, *Copyright, Controversy and Compulsory Licenses*, INFO. WORLD REV., Mar. 6, 1992.

114. *Proposal for a Council Directive*, *supra* note 53, at 25 ¶ 3.2.7–8.

115. *Id.* at 2 ¶ 1.1 (suggesting that about “one quarter of the world’s accessible on-line databases [were] of European origin compared with the U.S. share of the world market of 56%”).

116. *Id.* at 66 art. 1(1).

117. *Id.* at 61 Recital 19, 67 art. 2(2).

base.”<sup>118</sup> As the discussions, *infra*, concerning the development of the text of the Directive illustrate, this definition proved problematic as a result of the exclusion of non-electronic databases and the breadth of this definition.<sup>119</sup>

Article 2(1) pertained to the copyright element of the dual approach, providing protection to “collections within the meaning of Article 2(5) of the Berne Convention.”<sup>120</sup> The level of originality was adopted from the Software Directive,<sup>121</sup> and provided that the selection and arrangement of the collection “constitutes the author’s own intellectual creation.”<sup>122</sup> This protection does not extend to the underlying content of the database.<sup>123</sup> This originality threshold introduced problems,<sup>124</sup> mainly because it was not in line with the originality threshold in the U.K., for example, that endorsed a “sweat of the brow” regime.<sup>125</sup>

Article 2(5) introduced the *sui generis* element of the dual approach as a “right for the maker of a database to prevent the unauthorised extraction or re-utilisation, from that database, of its contents, in whole or in substantial part, for commercial purposes.”<sup>126</sup> It also provided that the only databases that are ineligible for copyright protection can be protected by the *sui generis* right.<sup>127</sup>

Article 3 provides that the database’s author is either the person who created it or, where recognized by the Member State’s legislation “the legal person designated as the rightholder by that legislation.”<sup>128</sup>

Article 5 lists the exclusive rights of the author and Article 6 provides the exceptions to copyright.<sup>129</sup> Specifically, Article 6(2) deals with the

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118. *Id.* at 66 art. 1(1).

119. *See* Pattison, *supra* note 113, at 114–15; *Proposal for a Council Directive, supra* note 53, at Recital 17–18; *see also* Powell, *supra* note 66, at 12.

120. *Proposal for a Council Directive, supra* note 53, at art. 2(1).

121. Software Directive, *supra* note 97, at art. 1(3).

122. *Id.*

123. *Proposal for a Council Directive, supra* note 53, at 61 Recitals 20–21.

124. *See* Jean Hughes & Elizabeth Weightman, *EC Database Protection: Fine Tuning the Commission’s Proposal*, 5 EUR. INTELL. PROP. REV. 147, 148–49 (1992).

125. *Id.* at 149.

126. *Proposal for a Council Directive, supra* note 53, at art. 2(5).

127. *Id.* at Recitals 28–29. This provision proved problematic for some interested parties who argued that the *sui generis* protection should be cumulative. *See, e.g.*, British Computer Society, *Intellectual Property Committee Comments on the EC Proposal for a Council Directive on the Legal Protection of Databases*, 9 COMPUTER L. & SEC. REP. 4 (1993).

128. *Proposal for a Council Directive, supra* note 53, at art. 3(1).

129. *Id.* at 47 ¶ 6.1; *see also id.* at 24–25.

ability to contractually deny exceptions.<sup>130</sup> Article 6(3) provides that these exceptions “are without prejudice to any rights subsisting in the works or materials contained in the database.”<sup>131</sup> Member States are also required by Article 7 to apply the same exceptions that they provide in their domestic copyright legislation with regard to illustrations and brief quotations for teaching purposes.<sup>132</sup> The term of copyright protection under Article 9(1), would be identical to that provided for literary works.<sup>133</sup>

Article 8 addressed the potential anti-competitive effects of the *sui generis* right and provided a compulsory license of database content when the database’s underlying materials or works contained in a database “cannot be independently created, collected or obtained from any other source,”<sup>134</sup> and when “the database is made publicly available by a public body which is either established to assemble or disclose important information pursuant to legislation, or is under a general duty to do so.”<sup>135</sup>

Due to the centrality of competition law in the EU the Commission proposal’s compulsory license provisions were the most controversial aspects of the proposal.<sup>136</sup> The major directorate generals who were involved in crafting the EU’s copyright policy were especially concerned regarding the Commission’s proposals’ anti-competitive effects.<sup>137</sup> Thus, competition law played a significant role in setting the boundaries of copyright law in Europe.<sup>138</sup>

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130. *Id.* at art. 6(2).

131. *Id.* at art. 6(3).

132. *Id.* at Recital 26, art. 7.

133. Following the adoption of the Duration Directive, the duration of this protection became life of the author plus 70 years. *See* Council Directive 93/98, Harmonising the Term of Protection of Copyright and Certain Related Rights, 1993 O.J. (L 290/9) (EU) ¶ 11.

134. *Proposal for a Council Directive*, *supra* note 53, at art. 8(1).

135. *Id.* at art. 8(2).

136. *See* Pattison, *supra* note 113, at 118. Some clarification is provided in *Proposal for a Council Directive*, *supra* note 53, at Recital 33. However, the Explanatory Memorandum, using the example of the Stock market, states, “If the Stock Market refused to supply the figures to more than one applicant, remedies under competition rules might have to be sought to deal with that issue.” *Proposal for a Council Directive*, *supra* note 53, at 51 ¶ 8.1; *see generally* Kunzlik, *supra* note 113, at 118.

137. Thomas C. Vinje, *Symposium on U.S.-E.C. Legal Relations: Recent Developments In European Intellectual Property Law: How Will They Affect You and When?*, 13 J.L. & COM. 301, 302 (1994) (“Trends show that DGXV . . . tends to promote the broadest possible intellectual property protection without a great deal of consideration for the potential anti-competitive consequences of its proposals. DGIII, DGIV, and DGXIII . . . tend to be more concerned with the impact of competition on Commission proposals.”).

138. This is illustrated by *Radio Telefis Eireann v. Comm’n* (“Magill”), 1995 4 C.M.L.R. 718. In *Magill*, the ECJ imposed a compulsory license on three broadcasters

The remainder of Article 8 deals with exceptions to the *sui generis* right. These exceptions allow a lawful user to use “insubstantial parts”<sup>139</sup> of a database without the authorization of the rightholder.<sup>140</sup> The use of qualitative and quantitative criteria in the definition of the term “insubstantial part” creates uncertainty regarding possible liability. Commercial use of “insubstantial part” also requires acknowledgement of the source.<sup>141</sup> These exceptions apply only to the extent that they do not conflict with prior obligations or rights.<sup>142</sup>

As for the term of protection, Article 9(3) states that the *sui generis* right “shall expire at the end of the period of 10 years from the date when the database is first lawfully made available to the public.”<sup>143</sup> Additionally, “[i]nsubstantial changes to the contents of the database shall not extend the original period of protection of that database by the right to prevent unfair extraction.”<sup>144</sup>

Article 11 introduces the reciprocity provision and provides that the *sui generis* right will apply only to databases whose producers are either nationals of the Member States or who have habitual residence in the territory of the European community.<sup>145</sup> The EU Council, however, may conclude agreements to extend the application of the *sui generis* right to third countries,<sup>146</sup> but only “if such third countries offer comparable protection to databases produced by nationals of the Member States . . .”<sup>147</sup> Database producers, mainly from the United States, strongly criticized this principle of reciprocity as opposed to national treatment in relation to the *sui gene-*

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after their refusal to grant the Irish publisher, Magill TV Guide Ltd., licenses to include their program information in its weekly program guide. The ECJ held that the broadcasters were abusing their dominant position under Article 86 of the EC Treaty. *See* Thomas C. Vinje, *Harmonising Intellectual Property Laws in the European Union, Past, Present and Future*, 17 EUR. INTELL. PROP. REV. 361, 374–76 (1995); *see also* Thomas C. Vinje, *The Final Word on Magill*, 17 EUR. INTELL. PROP. REV. 297, 303 (1995) (arguing that even after *Magill*, refusal to license intellectual property rights will, in the vast majority of cases, remain immune to attack under Article 86, but that the ECJ has preserved the flexibility to apply Article 86 to special circumstances such as those sometimes found in information technology cases).

139. *Proposal for a Council Directive*, *supra* note 53, at art. 1(3).

140. *Id.* at art. 8(4)–(5).

141. *Id.* at art. 8(4).

142. *Id.* at art. 8(6).

143. *Id.* at art. 9(3).

144. *Id.* at art. 9(4).

145. *Id.* at art. 11(1).

146. *Proposal for a Council Directive*, *supra* note 53, at art. 11(3).

147. *Id.* at 65 Recital 38.

*ris* right.<sup>148</sup> The EU had used such a reciprocity clause only once before in the directive proposal on data protection.<sup>149</sup> However, the United States participated in the same behavior when it enacted *sui generis* protection for semiconductor chip designs and conditioned protection of foreign chip designs on the grant of equivalent protection for U.S.-originated semiconductor chips.<sup>150</sup> The use of such a clause may have reflected the Commission's desire to provide a comparative advantage to European database producers over their U.S. competitors. Finally, Article 12(1) provides that the directive provisions are without prejudice to other legal provisions.<sup>151</sup>

In summary, this first Commission Proposal attempted to provide a modest solution to the lack of harmonization regarding database protection. It restricted the definition of a "database" to only electronic databases. The *sui generis* right given was limited in that it only affected extraction or re-utilization for commercial purposes. It did not apply if the database content was copyrightable. Further, it was subject to exceptions and compulsory licensing under certain circumstances. Such limited protection, however, eventually expanded to create a stronger property right in data.

#### 4. *The Proposal and Its Amended Text*

The Economic and Social Committee ("ECOSOC") prepared an opinion on the proposal in November 1992.<sup>152</sup> ECOSOC took the view that the Council should have the goal of having a strong database industry<sup>153</sup>

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148. See McManis, *supra* note 64, at 45 ("The EU Database Directive seems designed to favor European database producers at the expense of their customers and non-EU competitors, and to pressure the rest of the world to create comparable protection."); see also U.S. PATENT AND TRADEMARK OFFICE, REPORT ON RECOMMENDATIONS FROM APRIL 1998 CONFERENCE ON DATABASE PROTECTION AND ACCESS ISSUES 22 (1998):

An American firm that does not enjoy protection under the EU Directive faces several possible competitive disadvantages. First and most obviously, its noncopyrightable database may be duplicated and remarketed by others. Second, European data sources looking for a firm to 'process' and market raw data will be more likely to enter into a contract with a European company that can guarantee protection of the database versus an American company that cannot.

149. European Communities, *Draft Proposal for a Council Directive Concerning the Protection of Individuals in Relation to the Processing of Personal Data*, at 41, COM (1990) 287 draft (Sept. 13, 1990).

150. See Semiconductor Chip Protection Act of 1984, Pub. L. No. 98-620, § 902(a)(2), 98 Stat. 3347 (1989) (codified as amended at 17 U.S.C. § 908(a) (2005)).

151. *Proposal for a Council Directive*, *supra* note 53, at 73, art. 12(1).

152. ECOSOC, *Information Note*, IND/451-322/192, Nov. 24, 1992.

153. *Id.* at ¶ 2.1.

and providing legal protection that can accomplish that goal.<sup>154</sup> It supported harmonization of the law concerning copyright protection for databases and recommended the introduction of a uniform standard of originality based on the “sweat of the brow” doctrine, mirroring the view of the UK information industry.<sup>155</sup> This opinion, however, did not significantly impact the formulation process in general or the proposal in particular because of the limited powers of the Economic and Social Committee and also because it is considered an unimportant institution in the EU.<sup>156</sup>

Additionally, the Commission and its officials engaged in discussions with the Legal Advisory Board (“LAB”), interested parties,<sup>157</sup> and Member States representatives.<sup>158</sup> However, it should be noted that the limited representation of information users continued throughout the entire formulation process.<sup>159</sup>

The European Parliament examined the Commission’s proposal upon the Council’s request and referred it to a committee in July 1992.<sup>160</sup> The

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154. *Id.*

155. *Id.* at ¶ 2.2.- ¶ 2.7.

156. NEILL NUGENT, *THE GOVERNMENT AND POLITICS OF THE EUROPEAN UNION* 310 (1994) (arguing that sources of weaknesses of the ECOSOC “include the part-time capacity of its members, the personal rather than representational nature of much of its membership, and the perception by many interests that advisory committees and direct forms of lobbying are more effective channels of influence”). Simultaneously, several Member States discussed the proposal, but the extent of these discussions was dictated by each Member States’ share of the EU information market and their traditions regarding public consultations. Thus, the subject was naturally discussed extensively in the United Kingdom because of its significant share in the information market. Members of the U.S. database industry also debated and strongly criticized the proposal because its reciprocity provision imposed constrictive requirements on U.S. producers given the legal landscape after *Feist* and the constitutionalization of the originality requirement. Gail J. Hupper, Summary of Proceedings of the Forum on the European Community Database Directive (Dec. 9, 1992) (unpublished manuscript, on file with author).

157. Gaster Written Interview, *supra* note 87.

158. *Id.*

159. LEGAL ADVISORY BOARD, LAB REPLY TO THE GREEN PAPER ON COPYRIGHT AND RELATED RIGHTS IN THE INFORMATION SOCIETY (1995), available at <http://ec.europa.eu/archives/ISPO/legal/en/ipr/reply/reply.html>. *But see* Gaster Written Interview, *supra* note 87 (suggesting that “[l]obbying of all stakeholders interests (including anti-IP interests) was and is as intensive in Brussels as it is in Washington”).

160. The Energy Committee provided LEGA with a short opinion approving the proposal on May 26, 1993 with no suggested amendments. The Economic and Monetary Affairs and Industrial Policy Committee (“ECON”) started its work on Jan. 27/28, 1993, and adopted its opinion on June 2, 1993, which it passed on to LEGA. ECON proposed 3 amendments: clarifying the compulsory license provision (Article 8(1)), extending the *sui generis* term to 15 years with further protection possible after substantial change (Article

Committee on Legal Affairs and Citizens' Rights ("LEGA") was responsible for examining the proposal. In a March 1993 LEGA hearing,<sup>161</sup> experts and interested parties testified and they generally supported the proposal.<sup>162</sup> A few witnesses in the hearing, however, believed that rather than adopting the *sui generis* approach, the "sweat of the brow" doctrine should be extended to the rest of the EU.<sup>163</sup>

Ultimately, the 1993 Amendments failed to significantly affect the final version of the Directive, which rejected some of the key recommendations expressed in LEGA's opinion. The only key recommendation ultimately adopted was the proposal to extend the term of the *sui generis* right's term to fifteen years. This also signaled the Committee's intent to adopt a modest approach concerning database protection. However, the next substantive draft of the Directive went in a very different direction.

As a response, the Commission prepared a draft of the amended proposal.<sup>164</sup> The amended proposal accepted most of the amendments suggested by the Parliament, and strengthened the protection by extending the *sui generis* right to fifteen years<sup>165</sup> and introducing a "burden of proof" requirement on users so that any extraction and re-utilization of insubstantial parts of a database did not prejudice the owners' exclusive rights.<sup>166</sup> Most of the rejected amendments dealt with means that would have enhanced users' rights and changed definitions based on discussions at both the TRIPs Agreement and the WIPO negotiations.<sup>167</sup>

Within the Commission, however, there still remained concerns regarding the strengthening of protection by the two newly introduced provisions which placed the burden of proof on the user of insubstantial parts<sup>168</sup> and retroactively applied the protection offered by the proposal.<sup>169</sup>

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9(3)), and a proposal for a new provision to review the implementation of the directive after the first 5 years and every 2 years thereafter (Article 13(3)).

161. Formal presentations with accompanying reports were made by many organizations, including the following organizations: The Spanish National Library, Madrid; Reed-Elsevier; Federation of European Publishers; European Space Agency; EUSIDIC; Dun & Bradstreet; and more.

162. *Id.*

163. Gaster Interview, *supra* note 100.

164. Comm'n of European Communities, Amended Proposal on the Legal Protection of Databases, 1993 O.J. 308/1 (Nov. 15, 1993) [hereinafter 1993 Amended Proposal].

165. *Id.* at art. 12(1).

166. *Id.* at art. 11(b).

167. European Commission, Monitoring of the Decision-Making Process Between Institutions, [http://ec.europa.eu/prelex/detail\\_dossier\\_real.cfm?CL=en&DosId=20478](http://ec.europa.eu/prelex/detail_dossier_real.cfm?CL=en&DosId=20478) (last visited Dec. 15, 2008) [hereinafter Procedure File] (summarizing the procedural developments regarding the legal protection of databases in the EU).

168. 1993 Amended Proposal, *supra* note 164, at art. 11(b).

Notwithstanding these concerns, the Commission adopted the amended proposal in October 1993<sup>170</sup> and presented it to the Council.<sup>171</sup>

5. *The Council Common Position.*

The most significant shift in the amended text, from a liability rule regime to an exclusive property rule regime, occurred during its consideration in the Council.<sup>172</sup> The Commission's proposal was presented to the Council in April 1992 and the copyright group of the Council was assigned to handle the issue. Interestingly, probably as a result of the hostility of the U.K. database industry towards the proposal, during the U.K. Council Presidency, the proposal had not been discussed.<sup>173</sup> During the Danish Council Presidency that followed, however, the Council group held several meetings to familiarize Member States' representatives with the proposal.<sup>174</sup>

Developments in Europe and the United States changed the policy environment of database protection during late 1993. Most notably, the TRIPs Agreement, which extended protection to electronic and non-electronic databases,<sup>175</sup> was completed in December 1993. After the Commission introduced the amended text to the Council in October 1993, discussions resumed.

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169. *Id.* at art. 15(2).

170. Procedure File, *supra* note 167.

171. It should be noted that the database proposal had not generated much controversy or interest throughout the formal policy process described thus far. Although the United States and the U.K. information industries were interested due to their significant share in the global information market, most Member States showed very minimal interest in the proposal. Particularly in this first phase of the directive proposal, the information industry in other Member States was aware that the U.K. information industry was active in the proposal discussions. Therefore, they adopted the position that if the proposal was good enough for U.K. operators like Reuters, it would be good enough for them and so they did not feel any great necessity to become active themselves. *See* Responses to the Proposal from EC Committee of the American Chamber of Commerce [AMC-HAM], Jan. 1993. However, this indifferent approach of Member States, authors, and users' groups would subsequently be replaced with a greater awareness of the issue. This change in interest was due, in part, to legal scholars' involvement, which was triggered by the strengthening of the proposal. *See* William R. Cornish, *Protection of and vis-à-vis Databases*, in *COPYRIGHT IN CYBERSPACE* 435, 435-42 (Marcel Dellebeke ed., 1997).

172. J.H. Reichman & Pamela Samuelson, *Intellectual Property Rights in Data?*, 50 *VAND. L. REV.* 51, 84 (1997).

173. Gaster Interview, *supra* note 100.

174. *Id.*

175. TRIPs Agreement, *supra* note 14, at art. 10(2).

During the January 1994 discussion of the Council's first consolidated text<sup>176</sup> two key issues were heavily debated: the applicability of the directive to non-electronic databases and the desirability of adopting provisions pertaining to employer's economic rights over the work of their employees.<sup>177</sup>

The Greek Council Presidency referred the question of extension of the directive to non-electronic databases to the Committee of Permanent Representatives ("COREPER"), the highest ranking permanent organ of the Council of Ministers that prepares the agenda for the ministerial council for the EU meetings. The Council ultimately supported the extension in its February 1994 meeting. As a result, the Commission also decided that it would also support the extension of copyright protection for the original structure of a database to non-electronic databases.<sup>178</sup>

The Council prepared the second consolidated text focusing on the *sui generis* right after another meeting of its working group during March 1994.<sup>179</sup> At this stage, most Member States focused on specific provisions in the *sui generis* chapter, specifically supporting the removal of the 15-year term of protection and the user's burden of proof. The U.K., Ireland, and Germany, however, supported, a 50-year term for all databases.<sup>180</sup> The U.K., Ireland, Denmark, and Italy also opposed the Commission position that the *sui generis* right extends to databases' underlying raw data.<sup>181</sup> Unlike most Member States, however, Germany and France questioned the need for a *sui generis* right at all.<sup>182</sup> Additionally, France further opposed the introduction of compulsory licenses on public bodies, while the U.K. suggested that such licenses should be available only in situations where information arises from activities other than direct procurement.<sup>183</sup>

In April 1994, the Council held additional discussions on the second consolidated text, where many issues remained disputed. First, while

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176. Council Document (EC) No. 5693/94 from Council Secretariat to Council Working Group on Copyright (Mar. 18, 1994) [hereinafter Council Document 5693/94].

177. Gaster Interview, *supra* note 100.

178. Gaster Interview, *supra* note 100; *see also* JENS-LIENHARD GASTER, DER RECHTSSCHUTZ VON DATENBANKEN: KOMMENTAR ZUR RICHTLINIE 96/9/EG MIT ERLÄUTERUNGEN ZUR UMSETZUNG IN DAS DEUTSCHE UND ÖSTEREICHISCHE RECHT 27-28 ¶¶ 17-19 (1999) [hereinafter DER RECHTSSCHUTZ].

179. Council Document 5693/94, *supra* note 176.

180. Gaster Interview, *supra* note 100; *see also* DER RECHTSSCHUTZ, *supra* note 178, at 156-57 ¶¶ 630-636.

181. Gaster Interview, *supra* note 100.

182. *Id.*

183. *Id.*

France, holding to their author's rights tradition,<sup>184</sup> supported the adoption of the high "author's own personality" threshold,<sup>185</sup> most Member States supported the adoption of TRIPs' lower level of originality. Second, the scope and coverage of the term "database" was still disputed as Portugal, Belgium, and France, specifically, opposed to the inclusion of non-electronic databases.<sup>186</sup> These Council group negotiations reflected the emergence of tensions between the Commission and Member States as well as the transition in Member States' activities from merely text clarifications to promotion of their own national agenda.

These disagreements brought the discussions in the Council working group to a stalemate in June 1994.<sup>187</sup> However, shortly thereafter new events advanced the debate. First, the commercialization of the Internet enhanced the centrality of the database protection debate among many Member States.<sup>188</sup> Second, the Commission started discussing general changes to copyright law to deal with challenges posed by new digital technologies.<sup>189</sup> Finally, the Bangemann group introduced its report and action plan to the Council in May 1994, emphasizing the urgent need to complete the Database Directive.<sup>190</sup>

Indeed, during the second half of 1994, the German Presidency made significant progress on these issues. Some agreements regarding the copyright chapter of the Directive were achieved during late 1994 as a result of the Council working group's consideration of issues identified by the working group. More meaningful progress was made concerning the *sui*

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184. See *supra* Section III.A.

185. Gaster Interview, *supra* note 100; see also DER RECHTSSCHUTZ, *supra* note 178, at 51-53 ¶¶ 130-141, 119-121.

186. Gaster Interview, *supra* note 100; see also DER RECHTSSCHUTZ, *supra* note 178, at 37 ¶¶ 63-64.

187. An attempt to include the draft directive on the agenda for the COREPER and Internal Market Council in June 1994 was strongly opposed by some delegations.

188. Laurence Kaye, *The Proposed EU Directive for the Legal Protection of Databases: A Cornerstone of the Information Society?*, 17 EUR. INTELL. PROP. REV. 583 (1995).

189. In early June 1994, DGXV/E/4 released a questionnaire to interested parties on Copyright and Related Rights in the Information Society. In July a public hearing was organized and attended by many representatives of European companies and associations, EFTA representatives, other non-EU European countries, and most of the members of the Council copyright working group. The Commission later published the replies of these interested parties to the questionnaire. The issues that were raised during these discussions were similar to those discussed during the database protection debate.

190. See Bangemann Report, *supra* note 21, at 21.

*generis* chapter, however.<sup>191</sup> In order to advance the *sui generis* right debate, the Commission made a few proposals: (1) it would apply to databases whose content is already protected by copyright law;<sup>192</sup> and (2) its application to non-electronic databases would be conditioned upon showing investment in obtaining, verifying, or presenting their content. These proposals clearly strengthened the *sui generis* right, but disagreements over its application to non-electronic databases persisted.<sup>193</sup> For example, the German Council Presidency preferred to adopt a database protection regime resembling German law, which provides copyright protection together with some unfair competition rules.<sup>194</sup>

Despite of these difficulties, the German Presidency placed the proposal on the agenda of the COREPER December meeting at which it was agreed that the Council working group needed to more carefully define the scope and content of both the copyright and *sui generis* rights. During the following French Presidency the working group managed to make progress, revising the Council's fourth consolidated text during April 1995 in a manner addressing most of the open disputed issues.<sup>195</sup>

The most important changes to the directive text occurred in the beginning of May 1995 when most Member States agreed to the changes regarding the *sui generis* chapter. Ultimately, the majority of Member States supported the following changes:

- application of the directive to all types of databases;
- removal of the employer/employee economic rights provision;
- extension of the *sui generis* right to databases whose underlying materials are copyrightable;

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191. These concerns included: adoption of the TRIPs definition for "database" and whether such protection would be applicable to the copyright and *sui generis* right; whether to include a provision regarding employer/employee economic rights; whether to employ the Berne Convention's provision on exceptions to copyright; whether to provide a compulsory license; what the term of protection should be; how to assess "substantial change" that justifies additional protection and whether there was a need to adopt a "data stamping" regime to enable differentiation of protectable elements in a database; whether to apply a reciprocity or national treatment regime to the *sui generis* right; and whether to provide retroactive protection to databases created before the directive. Gaster Interview, *supra* note 100; *see also* DER RECHTSSCHUTZ, *supra* note 178, at 121-22 ¶¶ 475-761.

192. Gaster Interview, *supra* note 100; *see also* DER RECHTSSCHUTZ, *supra* note 178, at 118 ¶¶ 458-459, 136, ¶ 547.

193. Gaster Interview, *supra* note 100.

194. *Id.*; *see also* DER RECHTSSCHUTZ, *supra* note 178, at 118-121 ¶¶ 460-461, 471-472.

195. Gaster Interview, *supra* note 100; *see also* DER RECHTSSCHUTZ, *supra* note 178, at 28 ¶¶ 18-19.

a 15-year term of protection for the *sui generis* right;  
 prohibition of reproduction of electronic databases for private purposes;  
 provision of exception to the *sui generis* right allowing extraction and/or re-utilization for private purposes of a substantial part of a non-electronic database;  
 provision of exceptions to the *sui generis* right allowing extraction and/or re-utilization for scientific research or educational purposes of a substantial part of the content of a database;  
 provision of protection on reciprocal basis;  
 and providing that contractual provisions contrary to articles that guarantee users' rights would be null and void.<sup>196</sup>

In May 1995, the COREPER discussed these agreements, and the remaining disagreements, and suggested the removal of the compulsory license provisions.<sup>197</sup> The Council, after making minor modifications to the text, approved this compromise and finally adopted the common position in July 1995.<sup>198</sup>

As the above discussion shows, the most significant changes to the original Commission proposal occurred during the Council negotiations under the German and French presidencies. A new property right in data therefore replaced the original modest approach to database protection. That new right was inherently imbalanced as it failed to consider adequately the interests of both database producers and users.<sup>199</sup>

#### 6. *The Adopted Database Directive*

The Commission accepted the Council's common position in September 1995 and forwarded its decision to the Parliament, beginning its second reading. The Commission strongly supported the common posi-

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196. Gaster Interview, *supra* note 100; *see also* DER RECHTSSCHUTZ, *supra* note 178, at 28 ¶ 19; Council Common Position (EC) No. 20/95 of 30 Oct. 1995, 1995 O.J. (C 288/14) [hereinafter Common Position 20/95].

197. Gaster Interview, *supra* note 100.

198. Common Position 20/95, *supra* note 196.

199. Jens L. Gaster, *The New EU Directive Concerning the Legal Protection of Databases*, 20 FORDHAM INT'L L.J. 1129, 1142 (1997) [hereinafter *EU Directive*]:

In the course of controversial negotiations at the Council ongoing since the summer of 1994, the business law-like approach was strengthened and finally a right protecting substantial investments in databases was established. Hence a protection of the 'sweat of the brow' by a *sui generis* right was finally established and the dogmatic conflict between copyright and *droit d'auteur* in the area of databases was replaced by a dualistic concept.

tion, but expressed its preference that the compulsory license provision be reintroduced.<sup>200</sup> The Parliament's Committee on Legal Affairs and Citizen's Rights quickly supported the Council's common position, subject to a few minor amendments. In December 1995, the Parliament adopted the report and its amendments. In response, the Commission prepared a new text integrating these amendments<sup>201</sup> that was adopted unanimously in February 1996.<sup>202</sup> The Database Directive was formally enacted on March 11, 1996, with January 1, 1998 as an implementation date in Member States.<sup>203</sup>

In general, the discussion of the formulation process supports the contention that the Database Directive was not necessarily the product of an efficient and market-based understanding of the database industry, informed by public participation in the formulation process, because users and authors were under-represented in the process. Instead, it was a product of political influence, where misguided protectionist desires were implicitly aimed at gaining some competitive advantage over other international players in the information market, mainly the United States. Further, the resulting Directive completely failed to reflect consensus on either the need for, or the appropriate scope of, protection for a new *sui generis* form of intellectual property in data contained in a database. This is specifically highlighted by the fact that the EU itself has never satisfactorily explained the economic case for even creating such right.

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200. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, SEC (95) 1430 final, at 5 (Sep. 15, 1995):

This compromise text is of great importance in the context of the information society since most of the new products and services will operate from databases. The harmonized system as established by the eventual Directive will enable the doctrine of copyright to be brought closer to that of *droit d'auteur* in this crucial sector. This in itself will undoubtedly have a non negligible effect on the work of the international bodies responsible for harmonizing intellectual property law at the global level.

201. DAVISON, *supra* note 40, at 68. The most significant amendments were the addition of a requirement to indicate the source where a database is used for the purpose of illustration for teaching or scientific research (Article 6(2)(b)) and the replacement of the term "successors in title" with the term "rightholder" regarding the *sui generis* right's beneficiaries (Article 11(1)).

202. This took place during a meeting of the Agriculture Council. Press Release, Council of the European Union, Agriculture & Fisheries Council, Press: 36, NR: 5300/96, Other Decisions: Intellectual Property: Legal Protection of Databases (Feb. 26, 1996), available at [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/agricult/001a0013.htm](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/001a0013.htm).

203. Database Directive, *supra* note 78, at Art 1.6.

#### D. Treatment of Databases under the Database Directive

The European Union adopted the Database Directive on March 11, 1996.<sup>204</sup> The Directive protects both electronic and non-electronic databases.<sup>205</sup> It provides copyright protection for database structure<sup>206</sup> and a *sui generis* “data right” in database content. Member States were obligated to implement the Directive by January 1, 1998, and all twenty-five EU Member States ultimately adopted national measures implementing the Directive.<sup>207</sup>

The copyright portion of the Directive attempts to harmonize the scope of EU copyright protection, specifically standards of originality and exclusive rights (i.e., “restricted acts”) and exceptions to them. The standard adopted, stemming from the EU’s 1991 directive on the protection of computer programs,<sup>208</sup> provides copyright protection only to databases that, “by reason of the selection or arrangement of [its] contents, constitute the author’s own intellectual creation.”<sup>209</sup> Under the Directive, the copyright owner is entitled to certain exclusive rights or “restricted acts:” reproduction, adaptation, distribution, and display or performance of the database content to the public.<sup>210</sup>

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204. *Id.*

205. *See id.* at art. 1(1), Recital 14. The term “database” is defined in the Directive as “a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means.” *Id.* at art. 1(2). Explicitly excluded from protection under the Directive are “computer programs used in the making or operation of databases accessible by electronic means.” *Id.* at art. 1(3).

206. *See id.* at art. 3.

207. Germany, Sweden and the United Kingdom met the implementation deadline (1 Jan. 1998); Austria and France adopted in 1998 laws whose provisions apply retroactively as of 1 Jan. 1998; Belgium, Denmark, Finland, and Spain implemented in 1998; Italy and The Netherlands implemented in 1999; Greece and Portugal implemented in 2000; Ireland and Luxembourg implemented in 2001; the 10 new Member States (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) implemented between 1999 and 2003. They had an obligation to implement before the date of accession, i.e., 1 May 2004. *See* COMM’N OF THE EUROPEAN COMMUNITIES, DG INTERNAL MARKET AND SERVICES WORKING PAPER, FIRST EVALUATION OF DIRECTIVE 96/9/EC ON THE LEGAL PROTECTION OF DATABASES 11 (2005) [hereinafter WORKING PAPER], available at [http://ec.europa.eu/internal\\_market/copyright/docs/databases/evaluation\\_report\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/databases/evaluation_report_en.pdf).

208. Software Directive, *supra* note 97, at art. 1(3).

209. Database Directive, *supra* note 78, at art. 3(1). This standard reflects an attempt to require a level of originality that is neither too low, like the standard in the United Kingdom, The Netherlands, and Ireland, nor too high, such as the standard under German law. *EU Directive*, *supra* note 199, at 1136, 1141.

210. Database Directive, *supra* note 78, at art. 5. The Directive only covers economic rights under copyright; moral rights are beyond the scope of the Directive. *Id.* at Recital

The *sui generis* right provides protection for qualitatively and/or quantitatively “substantial investment in either the obtaining, verification or presentation of the contents”<sup>211</sup> of databases regardless of whether or not they can be copyrighted.<sup>212</sup> Acts prevented by the right are “extraction”<sup>213</sup> and/or re-utilisation<sup>214</sup> of the whole or of a substantial part . . . of the contents of that database.”<sup>215</sup> The right does not extend to extraction and/or re-utilisation of “insubstantial parts of its contents . . . for any purposes whatsoever,”<sup>216</sup> and any contractual provision to the contrary is null and void.<sup>217</sup>

The Directive allows Member States to adopt exceptions for certain non-commercial uses. It allows extractions “for private purposes of the contents of a non-electronic database,” “for the purposes of illustration for teaching or scientific research,” and for “the purposes of public security or an administrative or judicial procedure.”<sup>218</sup> Unlike the copyright portion of the Directive, however, the *sui generis* right does not permit Member States to adopt other exceptions.

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28. A lawful user does not need authorization to engage in any restricted act “which is necessary for the purposes of access to the contents of the databases and normal use of the contents.” *Id.* at art. 6(1). The Directive permits Member States under certain circumstances to impose some limits on the restricted acts—reproduction for private purposes of non-electronic databases, use for purposes of illustration for teaching or scientific research, use for purposes of public security or an administrative or judicial procedure, and other exceptions to copyright traditionally authorized under national law as long as they do not “unreasonably prejudice[] the rightholder’s legitimate interests or conflict[] with normal exploitation of the database.” *Id.* at art. 6(2)-(3). This language is patterned after similar language in the Berne Convention, *supra* note 13, at art. 10, and the TRIPs Agreement, *supra* note 14, at art. 13. For an analysis of the “fair use” implications of article 6(2), see Reichman & Samuelson, *supra* note 172, at 78-9.

211. Berne Convention, *supra* note 13, at art. 7(1).

212. *Id.* at Recitals 6-7. The Directive does not define the term “substantial investment,” but does provide that “any investment” “may consist in the deployment of financial resources and/or the expending of time, effort and energy[.]” *Id.* at Recital 40.

213. *Id.* at art. 7(2)(a) (“[E]xtraction shall mean the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form.”) (internal quotations omitted).

214. *Id.* at art. 7(2)(b) (“Re-utilisation shall mean any form of making available to the public all or a substantial part of the contents of a database by the distribution of copies, by renting, by on-line or other forms of transmission.”) (internal quotations omitted).

215. *Id.* at art. 7(1).

216. *Id.* at art. 8(1).

217. *Id.* at art. 15.

218. *Id.* at art. 9(a)-(c)

Additional provisions of the Directive impose obligations on lawful users that limit the scope of these exceptions.<sup>219</sup> The *sui generis* term of protection is fifteen years.<sup>220</sup> Qualitative or quantitative “substantial change” “which would result in the database being considered to be a substantial new investment,” entitles the database to an additional fifteen-year term of protection.<sup>221</sup> The *sui generis* right is available only to database producers who are either EU nationals or habitual residents,<sup>222</sup> which includes business entities that have a business presence in the EU.<sup>223</sup> The right is only available to non-EU nationals who do not meet these conditions on the basis of reciprocity. Thus, the EU can conclude agreements to extend the right to databases made in third countries<sup>224</sup> only where the third country offers “comparable protection” to EU databases.<sup>225</sup>

#### IV. QUESTIONING THE WISDOM OF EU POLICY CONCERNING DATABASE PROTECTION

The discussion so far has explored the EU copyright law agendas and followed the formulation process of the Database Directive, shedding light on EU copyright policy in general and key changes in the Database Directive formulation in particular.<sup>226</sup>

Part IV will analyze the wisdom of EU copyright policy concerning database protection. Section IV.A discusses the actual effect of the Database Directive, which ultimately shows that many of the EU’s underlying assumptions were flawed. Section IV.B then discusses the possible invalidity, or at least vulnerability, of the Directive, namely, potential European and international challenges to the Directive that were overlooked in its development process. Together, these inquiries shed light on additional problems with EU copyright law policy.

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219. *See, e.g., id.* at art. 8(2), 8(3).

220. *Id.* at art. 10(1).

221. *Id.* at art. 10(3).

222. *Id.* at art. 11(1).

223. Defined as a company or firm “formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Community[,]” or if formed elsewhere but with a registered office in the Community, its operations “must be genuinely linked on an ongoing basis with the economy of a Member State.” *Id.* at art. 11(2).

224. *Id.* at art. 11(3).

225. *Id.* at Recital 56; *see also EU Directive, supra* note 199, at 1148.

226. *See supra* Part III.

### A. Does the Database Directive Really Matter?

EU policy makers argue that the Database Directive matters because it created certainty among the EU Member States, removed obstacles to the free movement of services and goods, aspired to abolish discriminating legislation (such as the Nordic states' protection provided only to catalogues first published in Nordic states), and removed distortions to competition.<sup>227</sup> Whether the Database Directive really matters is difficult to determine because empirical data on the European experiment is almost non-existent. Additionally, available data, including consideration of the lobbying efforts involved in the process, suggests that the consideration of the subject was biased. However, the wisdom of the Directive may be challenged on several different fronts.

#### 1. *The Availability of Market-Based, Technological, and Legal Mechanisms for Protection of Databases*

The EU failed to acknowledge the availability of market-based, technological, and legal mechanisms that provide databases with sufficient protection to make additional statutory protections unnecessary. As discussed elsewhere, databases may enjoy sufficient protection already; further legal protection for the underlying content will provide, if anything, only short-lived advantages.<sup>228</sup> Review of the economic dimension of database protection demonstrates the errors of blind acceptance of the argument that the database industry would experience market failure if the law does not protect databases' raw data directly.<sup>229</sup> The empirical data cited both in support and in contradiction to this anticipated market failure are inconclusive.<sup>230</sup>

Furthermore, the discussion overlooks important alternative mechanisms that can be used to protect databases. First, databases benefit from *de facto* "protectability."<sup>231</sup> Such protection stems from the inherent features and characteristics of databases,<sup>232</sup> most notably, bundling services with raw data constitutes a barrier to market entry to competitors.<sup>233</sup> Much of the value of databases, in fact, lies in the value added to the raw data.<sup>234</sup>

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227. Gaster Written Interview, *supra* note 87.

228. *See generally Economic Dimension, supra* note 16.

229. *Id.*

230. *See* discussion *infra* Section IV.A.2.

231. *See Economic Dimension, supra* note 16, at 126-30.

232. *Id.* at 126.

233. *Id.* at 127.

234. *Id.* For example, differentiation of factual compilations by adding to them a sophisticated search software. The LEXIS and WESTLAW databases contain the same

Therefore, a market failure argument based on the theory of public goods is not especially applicable here, and it is at best a weak defense.<sup>235</sup> Second, database producers employ many private market and technological mechanisms to prevent unauthorized extraction of data and to differentiate their databases.<sup>236</sup> Finally, various legal mechanisms protect databases.<sup>237</sup> Prominent among them are indirect forms of protection, such as computer crime and privacy laws, as well as direct forms of protection, including legal protection for technological measures, trade secrecy, trademark law, contracts, unfair competition, and tort law.<sup>238</sup> These market-based, technological, and legal mechanisms are available to database producers in the different Member States.<sup>239</sup> Therefore, the EU's failure to discuss the economic justification or market demand for legislation like the Directive is a clear oversight in its rationale.

2. *Evaluating the Empirical Evidence to Date: No Evidence of Market Failure*

Evaluation of the empirical evidence to date suggests that no market failure existed in the database sector. In fact, the evidence suggests that the additional protections did not result in any increase in database production in the years following the implementation of the Directive in the Member States.<sup>240</sup> In fact, existing economic evidence is inconclusive.<sup>241</sup> The discussion that follows will therefore discuss and synthesize existing evidence.

One major report prepared for the European Commission assessed the economic importance of copyright industries to the economy of its individual nations for the year 2000.<sup>242</sup> According to the report, the database,

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public-domain materials. However, each offers different search software that provides the end-user with sophisticated search capabilities.

235. *See id.*

236. *Id.* at 131-44; *see* discussion *infra* Sections IV.B.1 and IV.B.2.

237. *See Economic Dimension*, *supra* note 16, at 147-68.

238. *Id.*

239. ESTELLE DERCLAYE, THE LEGAL PROTECTION OF DATABASES: A COMPARATIVE ANALYSIS 150-73 (discussing protection by unfair competition laws in Europe), 174-90 (discussing protection by contracts in Europe), 191-221 (discussing protection by technological measures and anti-circumvention provisions in Europe) (2008).

240. *See id.* at 109-17.

241. *Id.*

242. MEDIA GROUP, TURKU SCH. OF ECON. & BUS. ADMIN. BUS. RES. & DEV. CTR., THE CONTRIBUTION OF COPYRIGHT AND RELATED RIGHTS TO THE EUROPEAN ECONOMY (2003), *available at* [http://ec.europa.eu/internal\\_market/copyright/docs/studies/etd2002653001e34\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/studies/etd2002653001e34_en.pdf).

software, and print media industries<sup>243</sup> contribute each 1% of the EU gross domestic product, and as such make the largest contribution to the European economy among core copyright industries.<sup>244</sup> In 2000, on average the database and software industries contributed 1.35% to the GDP of European nations, with the highest relative production rate in the U.K. followed by Sweden, France, The Netherlands, Italy, and Germany.<sup>245</sup> In all copyright industries, the U.K. database industry makes the highest contribution to GDP, reflecting its relative maturity,<sup>246</sup> the international prominence of the English language, and the cultural importance of the industry.<sup>247</sup> It is hard to determine, however, whether the Database Directive served some role in the market growth attributable to databases.

An economic study by Stephen Maurer found that the number of new companies entering four database markets (France, U.K., Germany, and the United States) showed a sharp, one-time growth spurt in the three EU countries after their respective governments implemented the Database Directive in 1998,<sup>248</sup> while those in the United States experienced no such growth.<sup>249</sup> Maurer's study found, however, that the one-time growth spurt was not sustained. In fact, he shows that the number of companies entering the database market returned to the pre-Directive levels.<sup>250</sup> Thus, the Database Directive does not appear to have had any long-term effects.<sup>251</sup> The EU's own study, explored *infra*, examined only one isolated year, and so does not, and cannot, provide an accurate picture of the long-term effects of the Directive.<sup>252</sup> Moreover, also it has been suggested that the Database

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243. Software and databases industries are industries that engage in the maintenance, creation, and sales of computer software. *Id.* at 23.

244. "Core" copyright industries are defined as industries that involve the production, and usually consumption and distribution of copyright works as well as other subject matter. *Id.* at 20.

245. *Id.* at 4.

246. See MEDIA GROUP, *supra* note 242, at 6.

247. *Id.*

248. Stephen M. Maurer et al., *Europe's Database Experiment*, 294 SCI. 789, 789 fig.1 (2001).

249. *Id.*

250. *Id.* The figure only tracks business entries, not the number of firms doing businesses. If all the companies that wanted to enter the market did in 1998, and had continued successfully, then the one time growth may have had a huge impact on the database market in the EU. Maurer's data does not address this possibility.

251. See *id.*

252. See WORKING PAPER, *supra* note 207, at 5.

Directive did not result in a significant shift of the database industry to Europe.<sup>253</sup>

A recent EU report assessing the effects of the Database Directive is inconclusive in its findings, but is nevertheless suggestive with regard to the impact database protection had on database production. The EU began reviewing the Database Directive in the summer of 2005 to assess the impact it had on the database market. In December 2005, the EU released the long awaited results of its study on the effects of the Database Directive. The Working Paper contains two parts, discussing empirical evidence as well as the operative side of such evidence, and suggesting possible avenues of action the EU could take.

a) Empirical Part of the Working Paper

The report relied upon two sources in assessing the Directive. First, an online survey of 500 database producers in Western Europe generated 101 responses, 65% of which came from private companies, most of which are based in the United Kingdom (30%), Italy, Germany, France and Belgium (46% together).<sup>254</sup> Second, information from the world's largest database directory, the Gale Directory of Databases ("GDD"), provided statistics indicating the growth of the global database industry since the 1970s.<sup>255</sup> Given the nature of the sources of the EU study, namely objective GDD data and biased survey results, it is not surprising that the results from the two sources were not similar.<sup>256</sup>

The survey indicated great support within the database industry for the *sui generis* right.<sup>257</sup> The Working Paper summarizes the survey's results:

[T]he European publishing and database industries claim that "sui generis" protection is crucial to the continued success of their activities. 75% of respondents to the Commission services' on-line survey are aware of the existence of the "sui generis" right; among these, 80% feel "protected" or "well protected" by such right. 90% believe that database protection at EU level, as opposed to national level, is

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253. See e.g., Symposium, *Panel I: Database Protection*, 11 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 275, 300 (2001) (comments made by Mr. Alain Strowel, Law Firm NautaDutilh, Brussels, Belgium).

254. WORKING PAPER, *supra* note 207, at 5 n.5.

255. WORKING PAPER, *supra* note 207, at 5.

256. See generally *id.*

257. *Id.* at 20, 22, 25.

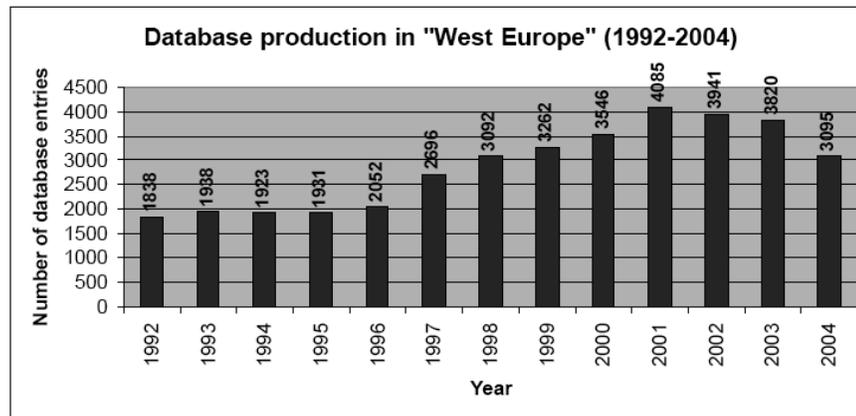
important and 65% believe that today the legal protection of databases is higher than before harmonization.<sup>258</sup>

The survey respondents also believe that the *sui generis* right brought about many positive changes. First, it facilitated the marketing of databases. Second, it created more business opportunities. Third, it reduced the costs of databases protection. Last, it also created certainty.<sup>259</sup>

Regarding the GDD data, while they were “the only empirical figures available at [that] stage to measure the evolution of the database markets[,] these figures [were] subject to considerable uncertainty.”<sup>260</sup> The figures below, reprinted from the Working Paper, display the GDD data:

Figure 1

Figure 5 - Trend of the database sector in “West Europe” (1992-2004)



Source: The Gale Directory of Databases 2005, Vol. 1, Part 2.

Figure 1 reflects the number of “entries” into the GDD from “Western Europe.”<sup>261</sup> The number of such entries since the Directive’s implementation into national laws in 1998 has been stable.<sup>262</sup> As is shown in Figure 1, in 2004 the amount of database “entries” of Western European origin was

258. *Id.* at 20.

259. *Id.* at 25.

260. *Id.* at 19.

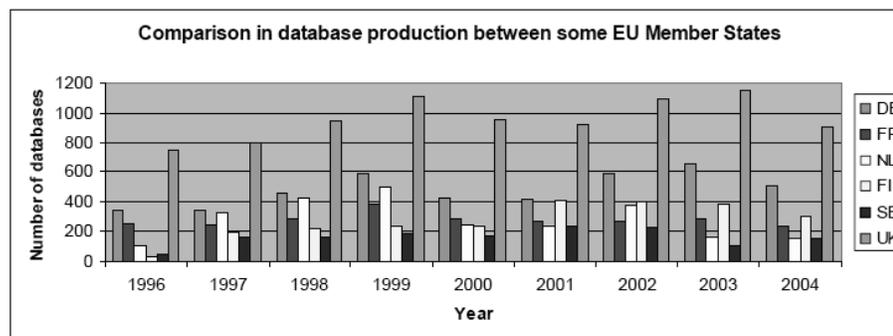
261. *Id.* at 18 n.36 (“The GDD does not define the ‘Western Europe’ market, but reports that the UK should be included in such market. Other EU countries’ markets for which the GDD reports significant figures are Germany, France, the Netherlands, Finland, and Sweden.”).

262. *Id.* at 18.

3095 compared to 3092 entries in 1998.<sup>263</sup> Concerning the decline of database “entries” from 2001, it was argued that as a result of a shift toward the provision of information online, the number of database “entries” decreased.<sup>264</sup> Additionally, it was pointed out that other technological changes occurred that might have impacted the results. Specifically, a shift in database delivery methods from “stand-alone database products, such as CD-ROM, and dedicated on-line access to specific databases, to ‘portal’-based applications” that allow “a single point of access to many databases.”<sup>265</sup> It is alleged that such trends are not reflected in the GDD.<sup>266</sup> As the Working Paper states, “these figures are subject to considerable uncertainty.”<sup>267</sup>

**Figure 2**

**Figure 6 - Comparison in database production between some EU Member States (1996-2004)**



Source: The Gale Directory of Databases (1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 editions)

Figure 2 illustrates that in the UK, which endorsed the “sweat of the brow” doctrine pre-directive, database production has shown a net increase from 1996 through 2004, and it has remained the largest database producer in Europe.<sup>268</sup> The Working Paper suggested that other reasons might account for this long-time success such as “relative maturity of the UK database industry and the success of databases that are produced in English.”<sup>269</sup>

263. *Id.*

264. *Id.* at 19.

265. WORKING PAPER, *supra* note 207, at 19.

266. *Id.*

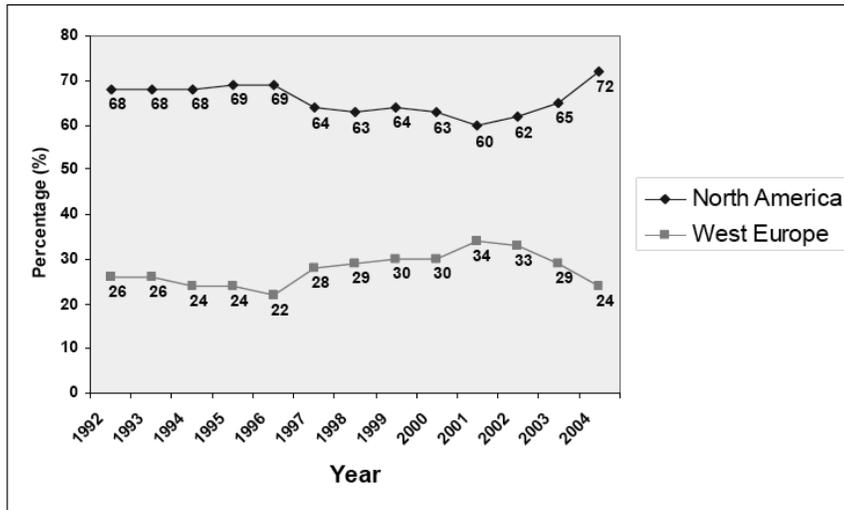
267. *Id.*

268. *Id.* at 20.

269. *Id.*; see also discussion *supra* note 246-247 and accompanying text.

Figure 3

Figure 7 - Database production in North America and West Europe (1992-2004)



Source: The Gale Directory of Databases 2005, Vol. 1, Part 2.

The data in Figure 3 compares U.S. and EU database production. “During the period of 1996-2001, Western Europe’s share in global database production increased from 22% to 34% while the ‘North American’ share decreased from 69% to 60% during the same period.”<sup>270</sup> Additionally, “[b]etween 2002 and 2004, the European share decreased from 33% to 24% while the U.S. share increased from 62% to 72%.”<sup>271</sup> Importantly, “[t]he ratio of European/US database production, which was nearly 1:2 in 1996, [became] 1:3 in 2004.”<sup>272</sup>

One could argue, however, that measuring productivity of the database sector based on the number of databases produced is problematic for many reasons. First, such data does not take into account major technological changes over the last two decades that significantly changed the way information is produced and provided. Additionally, such data does not provide any information regarding the nature of the databases produced (for example, commercial, scientific, etc.) so there is no indication whether certain databases are under or over produced, for example.

However, due to lack of other empirical data, measuring the number of databases produced was the only way to explore the evolution of databases sales since the introduction of the Database Directive. The GDD thus pro-

270. *Id.* at 22.

271. *Id.*

272. *Id.*

vides the available data.<sup>273</sup> Specifically, for the purposes of the GDD, measuring the size of the database industry is conducted by looking at changes in database “entries” into the GDD.<sup>274</sup>

When the Working Paper was published, the EU also invited stakeholder submissions as an additional source of data for reassessment of the Directive. Overall, there were 55 contributors that included eight users, 13 academic associations, and 31 database producers.<sup>275</sup> Most of the contributors did not wish to repeal the *sui generis* right, and they were evenly split as to whether to amend the Database Directive.<sup>276</sup> Not surprisingly, the submissions included letters from opponents of the *sui generis* right, such as the Consumer Project on Technology and an alliance of scientific and academic advocacy organizations.<sup>277</sup> These letters criticized the Directive for its over-breadth and also attacked the survey discussed in the Working Paper for a lack of objectivity, due to its reliance upon data provided by the database industry.<sup>278</sup> The submissions, however, also included letters from supporters, such as the U.K. Newspaper Society and the Brussels-based International Federation of Reproductive Rights Organizations, who pointed out that the Working Paper’s GDD data was inconclusive and had little probative value.<sup>279</sup>

In summary, the Working Paper and the later submissions all provide data sources that are either subjective in nature (the survey results and the

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273. *Id.* at 18.

274. Database “entry” in the GDD represents different kinds of databases such as databases on one or more media (CD-ROM, diskette, on-line, etc.). *Id.* at 5 n.6.

275. EUROPA, Protection of Databases, [http://ec.europa.eu/internal\\_market/copyright/prot-databases/prot-databases\\_en.htm#20060427](http://ec.europa.eu/internal_market/copyright/prot-databases/prot-databases_en.htm#20060427) (last updated Jan. 9, 2008).

276. *Id.*

277. See Communication & Information Resource Centre Administrator [CIRCA], Database Consultation, [http://circa.europa.eu/Public/irc/market/market\\_consultations/library?l=/copyright\\_neighbouring/database\\_consultation&vm=detailed&sb=Title](http://circa.europa.eu/Public/irc/market/market_consultations/library?l=/copyright_neighbouring/database_consultation&vm=detailed&sb=Title) (last visited Oct. 8, 2008).

278. See MICHELLE CHILDS, CPTECH COMMENTS ON DG INTERNAL MARKET AND SERVICES WORKING PAPER (2006), available at [http://circa.europa.eu/Public/irc/market/market\\_consultations/library?l=/copyright\\_neighbouring/database\\_consultation/cptech\\_enpdf/\\_EN\\_1.0\\_&a=d](http://circa.europa.eu/Public/irc/market/market_consultations/library?l=/copyright_neighbouring/database_consultation/cptech_enpdf/_EN_1.0_&a=d); ALL European Academics (ALLEA), *Response to the Working Paper Evaluating Directive 96/9/EC on the Legal Protection of Databases*, available at [http://circa.europa.eu/Public/irc/market/market\\_consultations/library?l=/copyright\\_neighbouring/database\\_consultation/allea\\_enpdf/\\_EN\\_1.0\\_&a=d](http://circa.europa.eu/Public/irc/market/market_consultations/library?l=/copyright_neighbouring/database_consultation/allea_enpdf/_EN_1.0_&a=d) (last visited Nov. 3, 2008).

279. See Letter from Catherine Courtney, Legal Adviser, The Newspaper Society, to Tilman Lueder, Head of Unit D1 Copyright and Knowledge-based Economy, European Commission (Mar. 12, 2006), available at [http://circa.europa.eu/Public/irc/market/market\\_consultations/library?l=/copyright\\_neighbouring/database\\_consultation/newspaper\\_society/\\_EN\\_1.0\\_&a=d](http://circa.europa.eu/Public/irc/market/market_consultations/library?l=/copyright_neighbouring/database_consultation/newspaper_society/_EN_1.0_&a=d).

later stakeholders submissions) or merely inconclusive (the GDD data), and thus fail to measure and assess the impact of the Directive.

b) Policy Options of the Working Paper

The Working Paper also provides conclusions with regard to the Directive and then provides four policy options.<sup>280</sup> It concludes, based on European Court of Justice case law, that the *sui generis* right is not easy to understand and that the protection it provides is close to providing a property right in data.<sup>281</sup> Furthermore, based on the economic analysis discussed above, it concludes that “the economic impact of the *sui generis* right is unproven.”<sup>282</sup> The Working Paper then moves on to discuss four policy options: repealing the Directive, withdrawal of the *sui generis* right provisions, amending the *sui generis* provisions, and maintaining the status quo.<sup>283</sup>

In conclusion, the survey indicates great support within the database industry for the *sui generis* right whereas the empirical data shows that the *sui generis* right has had no significant economic impact on the production of databases. It is still unclear, however, what course of action the EU will take. However, given the unproven effect of the Directive, it seems unlikely that the EU will remain inactive concerning the Directive. It will probably try to reassess the impact of the Directive in the near future and decide whether to take further action.

3. *The Futility of Reciprocity*

The Database Directive’s *sui generis* right is available to database producers who are either EU nationals or habitual residents.<sup>284</sup> However, business entities with a business presence in the EU are included. Business presence is defined as a central administration, principal place of business, or a registered office in the EU, coupled with a genuine, ongoing operational link with the economy of a Member State.<sup>285</sup> Although no data regarding foreign affiliates of non-EU companies operating in the EU database market is readily available, it is possible that non-EU companies seeking to benefit from the *sui generis* right could use this loophole either because they already have some presence in the EU, have moved some of

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280. WORKING PAPER, *supra* note 207, at 23-27.

281. *Id.* at 23-24.

282. *Id.* at 24.

283. *Id.* at 25-27.

284. Database Directive, *supra* note 78, at art. 11(1).

285. *Id.* at art. 11(2).

their operations to Europe, or found a local partner.<sup>286</sup> Even if none of these conditions are met, protection may still be available to non-EU residents via the reciprocity provision. If their own countries' provision of database protection is substantially similar to that afforded by the EU, then they may enjoy such protection within the EU.<sup>287</sup> It should be noted, however, that no "massive move" of non-EU companies transferring their operations to the EU exists.<sup>288</sup> Therefore, if the goal behind the reciprocity requirement was to provide a competitive advantage to European companies and to incentivize foreign companies to move their operations to the EU so they can benefit from the protection, this goal has not been accomplished.<sup>289</sup>

It should be noted, however, that the Database Directive negotiations show that some of the major players in the EU database industry, such as the United Kingdom, opposed the reciprocity provision and supported the provision of the *sui generis* right on a purely national basis.<sup>290</sup> This opposition is in line with the requirement of national treatment under international intellectual property treaties.<sup>291</sup> However, since granting *sui generis* rights in subject matter, which is otherwise unprotectable under the international intellectual property law treaties, then one could argue that reciprocity is a legitimate tool at a country's disposal.

#### 4. *Non-Identical Implementation of the Directive*

It is possible that the disparate implementation of the Database Directive in Member States, as well as the courts' struggles to apply the Directive's ill-defined standards, created uncertainty and unpredictability in this field, thus reducing database producers' reliance on the Directive as a meaningful source of protection.<sup>292</sup>

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286. Maurer, *supra* note 248, at 790 ("Furthermore, the Council Directive contains a loophole: If a U.S. company wants database rights, it can get them by moving some of its operations to Europe or else by finding a local partner."); see Malla Pollack, *The Right to Know?: Delimiting Database Protection at the Juncture of the Commerce Clause, the Intellectual Property Clause and the First Amendment*, 17 CARDOZO ARTS & ENT. L.J. 47, 112 (1999) ("American' producers of databases can, moreover, obtain protection inside the European Union by supplying their databases through European affiliates or offices.").

287. Database Directive, *supra* note 78, at art. 11 (3); Recital 56.

288. Symposium, *supra* note 253, at 300.

289. *Id.*

290. Gaster Interview, *supra* note 100.

291. See, e.g., TRIPs Agreement, *supra* note 14, at art. 3.

292. See generally DAVISON, *supra* note 40, at 152-59 (providing an overview regarding the transposition of the Directive, pointing to the different levels of harmonization in different contexts).

As explained above, the Member States experienced significant difficulties throughout the formulation process with the implications of the Database Directive and its terminology. Indeed, the Database Directive includes many undefined terms that are still awaiting court interpretation.<sup>293</sup> For example, while the Directive requires “substantial investment” by the database producer, measured either “qualitatively” or “quantitatively,” there exists little guidance as to what minimal amount of investment is actually required.<sup>294</sup> Similarly, while the Directive prohibits re-utilization of a “substantial” part of a database, no definition or quantification of this term is provided.<sup>295</sup> The problems with such a standard are self-evident in the context of databases. Some numerical scale, percentage, or even some other quantitative method could have provided clearer guidance.

The European Commission’s Internal Market directorate general commissioned a study that shed light on the Member States’ legislation implementing the Database Directive.<sup>296</sup> Although all twenty-five Member States have now implemented the Database Directive, the study only addresses the implementation of the fifteen states that were EU members at the time.<sup>297</sup>

Not surprisingly, the study revealed that Member States implemented the Directive’s fundamental provisions and text with varying levels of faithfulness.<sup>298</sup> The study introduced a scale regarding Member States implementation, with “consistent” implementation reflecting the highest form of loyalty to the Directive and “extremely sketchily” reflecting the lowest form of loyalty. For example, the study showed that Italy and Spain were the only countries that “very dedicatedly” implemented the Direc-

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293. See generally P. Bernt Hugenholtz, *Implementing the European Database Directive*, in INTELLECTUAL PROPERTY AND INFORMATION LAW, ESSAYS IN HONOUR OF HERMAN COHEN JEHOAM 183 (Jan J.C. Kabel & Gerard J.H.M. Mom eds., 1998) [hereinafter *Implementing the Directive*]; Estelle Derclaye, *What is a Database?—A Critical Analysis of the Definition of a Database in the European Database Directive and Suggestions for an International Definition*, 5 J. WORLD INTELL. PROP. 981 (2002); Estelle Derclaye, *Databases Sui Generis Right: What is a Substantial Investment? A Tentative Definition*, 36 INT’L REV. INDUS. PROP. & COMPETITION L. 2 (2005).

294. DAVISON, *supra* note 40, at 189-90.

295. *Id.*

296. See NAUTADUTILH, THE IMPLEMENTATION AND APPLICATION OF DIRECTIVE 96/9/EC ON THE LEGAL PROTECTION OF DATABASES, STUDY CONTRACT ETD/2001/B5-3001/E/72 (2002), available at [http://ec.europa.eu/internal\\_market/copyright/docs/databases/etd2001b53001e72\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/databases/etd2001b53001e72_en.pdf); see also *Implementing the Directive*, *supra* note 293, at 183 (providing a status report on the implementation of the Directive in the Member States).

297. NAUTADUTILH, *supra* note 296, at 8, 11-12.

298. *Id.* at 371.

tive.<sup>299</sup> Belgium and Greece implemented the Directive “quite dedicatedly”.<sup>300</sup> Austria, France, Ireland, The Netherlands, Portugal, and the United Kingdom implemented it “mostly satisfactorily, though not flawlessly” while Germany and Luxembourg implemented it “more or less satisfactorily.”<sup>301</sup> Denmark and Finland implemented it “overly sketchily” and Sweden implemented it “extremely sketchily.”<sup>302</sup>

While these “grades” do not shimmer with clarity, it is clear that the Directive has not fully harmonized the legal protection for databases. A closer look at these Member States’ legislation reveals that their legislation departs significantly from the Directive in relation to fundamental provisions, undermining the Directive’s goal to achieve harmonization. States had implemented the definition of database, the *sui generis* right, the reciprocity provision and exceptions to the *sui generis* right, differently from each other and the Directive.

Different states implemented the definition of a “database” differently. Some, such as Denmark, Finland, and Sweden, failed to provide one, overlooking its binding nature.<sup>303</sup> Other Member States, such as Luxembourg, created their own definition,<sup>304</sup> whereas Germany, France, and Spain overlooked the applicability of this definition for databases protected under both copyright and the *sui generis* regimes.<sup>305</sup>

The *sui generis* right had also been implemented differently, possibly because Member States did not wish to destabilize their existing legal regimes. For instance, Denmark, Sweden, and Finland, countries in which the “catalogue rule” prevailed prior to the Database Directive,<sup>306</sup> incorporated the “substantial investment” requirement.<sup>307</sup> Nevertheless, these countries’ legislations suggested implicitly that a large number of information items is enough to entitle a database to protection even when not the result of substantial investment.<sup>308</sup>

Even the reciprocity provision of the Directive was implemented differently by Member States.<sup>309</sup> Luxembourg, for example, had not incorpo-

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299. *Id.*

300. *Id.*

301. NAUTADUTILH, *supra* note 296, at 371.

302. *Id.*

303. *Id.*

304. *Id.* at 371, 229, 232-33.

305. *Id.*

306. *See* discussion *supra* note 46-50 and accompanying text.

307. NAUTADUTILH, *supra* note 296, at 374.

308. *See id.*

309. *See id.* at 374-75.

rated the provision.<sup>310</sup> Germany did not adopt the genuine-link requirement on persons with a registered office in its territory.<sup>311</sup> Finland had adopted only the “registered office” part, omitting the “central administration or principal place of business options” language.<sup>312</sup> These changes are fundamental as they allow greater practical leeway to foreign legal entities.

Member States also differed in their implementation of the mandatory exception to the *sui generis* right. Although the Directive does not define the term “lawful user,” it is arguably clear, based on the Explanatory Memorandum of the Proposal and the Commission report on the implementation and effects of the Software Directive.<sup>313</sup> However, Belgium, Ireland, and the U.K. had expanded the definition to others as well.<sup>314</sup> Additionally, Denmark, Finland, and Sweden had vested the lawful user with a right to extract and re-utilize the whole catalogue, rather than only insubstantial parts of it. These changes clearly depart from the Directive’s allowable exceptions.<sup>315</sup>

Last, Denmark, Finland, and Sweden had not adopted the Directive provision regarding substantial new investment that entitles the database producer to a new 15-year term of protection.<sup>316</sup>

### 5. *Confusion in the Courts*

Uncertainty concerning the Directive’s language, scope and application has led to confusion in the European courts that limited its signific-

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310. *Id.* at 375.

311. *Id.*

312. *Id.*

313. *Id.* at 376.

314. *Id.* at 376. Specifically, Belgium defined lawful user in Article 2(4) of the Legal Protection of Database Act 1998 as “a person who effects acts of extraction or re-utilisation authorised by the database maker or permitted by law.” Consequently, the definition is not restricted to those in a contractual relationship with the maker, and includes those who are accessing a database in order to avail themselves of one of the exceptions to the right of extraction or re-utilisation, including the right to use insubstantial part. The Irish Copyright and Related Rights Act 2000 in Article 327 permits lawful users to extract and re-utilize insubstantial parts of the contents of a database. The Act defined “lawful user” in Article 320 as “any person who, under a license to undertake the acts restricted by any database right in the database, or otherwise, has a right to use the databases.” Regulation 12 of The Copyright and Rights in Databases Regulations 1997, SI 1997, No. 3032 (Eng.), available at <http://www.uk-legislation.hmso.gov.uk/si/si1997/19973032.htm>, defined lawful user as “any person who (whether under a licence to do any of the acts restricted by any database right in the database or otherwise) has a right to use the database.”

315. NAUTADUTILH, *supra* note 296, at 376.

316. *Id.* at 377.

ance. Moreover, a closer look at some of the case law applying these instruments in the Member States as well as emerging European Court of Justice (“ECJ”) case law provides even more evidence of the uncertainty regarding database protection law in the EU.<sup>317</sup> It should be noted, however, that more guidance is provided by the courts in the EU, including the ECJ, so it is believed that with the passage of time the strength of this argument will be weakened.<sup>318</sup>

Courts have been struggling with the application of different key concepts such as the notion of “database,” the “substantial investment” requirement, the status of database “maker,” among others.<sup>319</sup> Discussion of the court’s decisions regarding the phrase “substantial investment” is illustrative.

The Database Directive does not offer guidance in interpreting the term “substantial investment.” It is unclear how much database producer needs to invest in creating a database in order to qualify for *sui generis* protection. Additionally, it is unclear which “investment” is “eligible” for recoupment. This uncertainty is especially problematic when dealing with databases generated as by-products (“spin-offs”) of other principal activities that are already incentivized. For example, telephone directories and TV program listings are offered to the public as a by-product of TV and broadcasting services.

Are the labor and cost attributable to the production of a database the only investment that should be considered with regard to the *sui generis* right or are the labor and cost spent in generally organizing these services should also be considered? In November 2004, the ECJ handed down four

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317. P. Bernt Hugenholtz, Paper Presented at the Fordham Law School Eleventh Annual Conference on International IP Law & Policy: Program Schedules, Event Data and Telephone Subscriber Listings under the Database Directive: The ‘Spin-Off’ Doctrine in the Netherlands and Elsewhere in Europe (Apr. 14-25, 2003), available at <http://www.ivir.nl/publications/hugenholtz/spinofffordham.html> (based on article in 26 A.M.I. 161 (2002)); P. Bernt Hugenholtz, *Abuse of Database Right Sole-Source Information Banks under the EU Database Directive*, in ANTITRUST, PATENTS AND COPYRIGHT: EU AND US PERSPECTIVES 203 (François Lévêque & Howard A. Shelanski eds., 2005); Mark J. Davison & P. Bernt Hugenholtz, *Football Fixtures, Horse Races and Spin Offs: The ECJ Domesticates the Database Right*, 27 EUR. INTEL. PROP. REV. 113 (2005).

318. See C304/07, *Directmedia Publishing GmbH v Albert-Ludwigs-Universität Freiburg*, 2008 WLR (D) 312 (ECJ).

319. See P. Bernt Hugenholtz, Presentation at the Ninth Annual Conference on International IP Law & Policy: The New Database Right: Early Case Law from Europe (Apr. 19-20, 2001), available at <http://www.ivir.nl/publications/hugenholtz/fordham2001.html> (discussing early case law in Member States, mostly from Germany, The Netherlands, and France); see also F.W. Grosheide, *Database Protection—The European Way*, 8 WASH. U. J.L. & POL’Y 39, 57-77 (2002).

decisions concerning the Database Directive that offer guidance for answering such questions.<sup>320</sup> Three of the cases were brought by Fixtures Marketing Ltd., and dealt with the use of lists of football fixtures by betting companies.<sup>321</sup> The other case, *British Horse-racing Board. Ltd. v. William Hill Organization Ltd.* (“BHB”) focused on the use by betting companies in Britain of data provided by BHB to one of its licensees (specifically, dates, times, and places of horse races as well as the names and numbers of horses taking part in each race).<sup>322</sup> The most important element of the ECJ’s decisions was the separation of the investment made to create the data from the investment needed to obtain, verify, or present it. In the decision concerning the *Oy Veikkans* case the ECJ stated in that connection that

[f]inding and collecting the data which make up a football fixture list do not require any particular effort on the part of the professional leagues. Those activities are indivisibly linked to the creation of those data, in which the leagues participate directly as those responsible for the organisation of football league fixtures. Obtaining the contents of a football fixture list thus does not require any investment independent of that required for the creation of the data contained in that list.<sup>323</sup>

Essentially, the ECJ found that the investment necessary to benefit from the *sui generis* right must be in obtaining, presenting, or verifying preexisting data.<sup>324</sup> The ECJ in effect implicitly embraced the “spin-off” doctrine.<sup>325</sup> According to this doctrine, a database producer can benefit from the *sui generis* right only when investment is attributable directly to database production.<sup>326</sup> The doctrine is premised on the incentive rationale of the *sui generis* right.

Equally important is the ECJ’s interpretation of the scope of database protection. The *sui generis* right protects producers of a database against

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320. Case C-338/02, *Fixtures Mktg. Ltd. v. Svenska Spel AB*, 2004 E.C.R. I-10479; Case C-444/02, *Fixtures Mktg. Ltd. v. Organismos Prognostikon Agonon Podosfairou*, 2004 E.C.R. I-10549; Case C-46/02, *Fixtures Mktg. Ltd. v. Oy Veikkaus AB*, 2004 E.C.R. I-10365; Case C-203/02, *British Horseracing Bd. Ltd. v. William Hill Org. Ltd.*, 2004 E.C.R. I-10415.

321. *Svenska*, 2004 E.C.R. I-10479; *Organismos*, 2004 E.C.R. I-10549; *Oy Veikkaus*, 2004 E.C.R. I-10365.

322. *British Horseracing*, 2004 E.C.R. I-10415.

323. *Oy Veikkaus*, 2004 E.C.J. I-10365, at ¶ 44.

324. Davison & Hugenholtz, *supra* note 317, at 114.

325. *Id.*

326. *Id.*

the unauthorized extraction or re-utilization of a “substantial part” of the database.<sup>327</sup> The ECJ provides some guidance regarding how to assess what constitutes a “substantial part.” The court explained:

[S]ubstantial part, evaluated qualitatively, of the contents of a database refers to the scale of the investment in the obtaining, verification or presentation of the contents of the subject of the act of extraction and/or re-utilisation, regardless of whether that subject represents a quantitatively substantial part of the general contents of the protected database. A quantitatively negligible part of the contents of a database may in fact represent, in terms of obtaining, verification or presentation, significant human, technical or financial investment.<sup>328</sup>

The discussion of these cases illustrates how higher-level courts in Europe stepped in to further interpret and refine key concepts of the Directive. This line of cases also reflects an emerging line of cases that supports restrictive reading of the *sui generis* right to an extent that reduces many of the initial dangers associated with such legislation and significantly weakens the right. Of course, there are many open questions pertaining to the Database Directive that are awaiting interpretation. However, extensive discussion of these issues is beyond the scope of this Article.

#### 6. *Persistence of Other Barriers*

Last, as discussed above, the EU information market suffered from not only fragmentation by legal barriers but also technological and linguistic ones.<sup>329</sup> It is possible that the persistence of some or all of these barriers in the EU information market has also contributed to the ineffectiveness of the Directive and the EU’s inability to increase its share in that market

### **B. Possible Challenges to the Database Directive**

Section IV.B will explore possible challenges to the Directive and will suggest that the EU did not consider, and in fact overlooked, such challenges. The following discussion suggests that there are possibly two routes for challenging the Directive. The first route suggests bringing constitutional challenges to the Directive at both the member state and EU level. Such challenges can arguably restore the traditional balance between publishers, authors and users that the Directive disrupted and can signal to the EU institutions that their imbalanced approach is inappropriate. The

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327. Database Directive, *supra* note 78, at art. 7.

328. C-203/02, *British Horseracing Board Ltd. v. William Hill Org. Ltd.*, 2004 E.C.R. I-10415, at ¶ 71 (Judgment of Nov. 9, 2004).

329. See discussion *supra* notes 63–66 and accompanying text.

second route discusses the possibility of challenging the Directive at the international level via the different intellectual property conventions.

1. *National and EU Constitutional Validity*

In his work on copyright and freedom of expression in Europe,<sup>330</sup> Professor Bernt Hugenholtz provides an overview of the state of European law concerning the conflict between copyright and freedom of expression. As Professor Hugenholtz describes, the European Court confirmed that speech relating to commercial interests enjoys only limited protection in Europe.<sup>331</sup> The European Court allows Member States latitude in restricting speech to serve the interests of commercial law and the law of unfair competition.<sup>332</sup> This line of cases suggests that Article 10 of the European Convention on Human Rights (“ECHR”), which provides that “[e]veryone has the right to freedom of expression” and that “[t]his right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers,”<sup>333</sup> could be invoked and would probably allow unauthorized use of copyrighted works for predominantly commercial purposes only in exceptional cases.<sup>334</sup>

Professor Hugenholtz demonstrates how the European Court does not treat all content-related speech restrictions equally and that, in cases involving political speech rather than “ordinary” expression, the European Commission and the European Court consistently granted a higher level of protection to the former than the latter, recognizing the democracy-enabling function of the freedoms Article 10 protects.<sup>335</sup>

Freedom of expression arguments are likely to succeed against copyright claims aimed at preventing political discourse, curtailing journalistic or artistic freedoms, suppressing publication of government-produced information, or impeding other forms of “public speech.”<sup>336</sup> In practice, this approach might imply that the European Court would be willing to find violations of Article 10 if national courts fail to interpret broadly or

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330. P. Bernt Hugenholtz, *Copyright and Freedom of Expression in Europe*, in EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY, INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY 343 (Rochelle C. Dreyfuss et al. eds., 2001) [hereinafter *Freedom of Expression*].

331. *Id.* at 361.

332. *Id.*

333. European Convention for the Protection of Human Rights and Fundamental Freedoms, Nov. 4, 1950, 213 U.N.T.S. 221, art. 10 [hereinafter ECHR].

334. *See Freedom of Expression*, *supra* note 330, at 361.

335. *See Freedom of Expression*, *supra* note 330, at 361.

336. *Id.* at 362.

“stretch” existing copyright limitations to permit quotation, news reporting, artistic use, or reutilization of government information.<sup>337</sup> The Court might also be willing to find national copyright laws in direct contravention of Article 10 if they fail to provide exceptions for specific uses.<sup>338</sup> However, some factors must be taken into account while examining whether speech regulations are constitutional under Article 10.<sup>339</sup> Such regulation needs to go through the test of necessity “in a democratic society,” such as a proportionality test. The following factors must be taken into account: the degree of public interest in the speech; the substantiality of the restrictions; and the purpose of the regulation.<sup>340</sup> European case law also suggests that speech restrictions in line with European consensus will more readily be accepted than those reflecting national peculiarities.<sup>341</sup>

The Database Directive provides copyright-like property rights in intellectual creations, namely databases. While both copyrights and database protection are not explicitly listed in the ECHR as human rights, commentators and courts suggested that Article 1 of the First Additional Protocol of the convention that recognizes the property right as a human right also encompasses intangible creations and not only tangible goods.<sup>342</sup> Copyrights and database protection under the Database Directive are both property rights that are protectable human rights under the ECHR.<sup>343</sup> As such they are also considered “rights of others” under Article 10(2) of the ECHR, which can restrict the freedom of expression and the right to information of the public under Article 10.<sup>344</sup> Therefore, the analysis of the possible tension between copyright law and freedom of expression and information is also applicable with regard to the Database Directive. If the Database Directive has upset the “delicate balance” between copyright or the *sui generis* rights and the public interest, providing property rights in data where no economic need in such legislation has been demonstrated, the European Court might be convinced to step in and apply Article 10 to restore the balance. Additionally, it is also questionable whether such an all-encompassing right will be enforceable when one considers the user’s freedom of expression and information.

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337. *Id.*

338. *Id.*

339. *Id.*

340. *Id.*

341. *Id.*

342. CHRISTOPHE GEIGER, DROIT D’AUTEUR ET DROIT DU PUBLIC À L’INFORMATION—APPROCHE DE DROIT COMPARÉ (2004).

343. *Id.* at 167.

344. *Id.* at 167-68.

In general, many writers have been critical not only of the Directive's two-tier copyright/*sui generis* approach. They have also been critical of the text's lack of clarity, the fact that many of its provisions were optional, and the frequency with which contentious issues were placed in the Directive's recitals.<sup>345</sup> Some argue that the initial fears of over-protection in the Directive were realized in the adopted text as a result of the imbalance of rights evident in the provisions on the *sui generis* right.<sup>346</sup> Aside from these general arguments, some also argue that the Directive enables right holders to acquire greater protection under the *sui generis* right than copyright has ever offered.<sup>347</sup>

Examination of the Database Directive provides some potential provisions for constitutional challenge under ECHR's Article 10. For example, the Directive allows for all exemptions traditionally found in the Member States' copyright laws.<sup>348</sup> However, unauthorized copying for private purposes from electronic databases is not permitted.<sup>349</sup>

Furthermore, the Directive allows only limited statutory exemptions with respect to the *sui generis* right in comparison to those allowed under the Directive's copyright chapter.<sup>350</sup> Article 9 of the Directive leaves no room for many traditional limitations, such as journalistic freedoms, quotation rights, library privileges or reuse of government information.<sup>351</sup> Apparently, the users' freedom to extract and re-utilize insubstantial parts of the database was considered sufficient.

Moreover, the makers of the Directive seem to have overlooked that extracting or re-utilizing even substantial parts of a database may constitute perfectly legitimate use. All but one exception available under the *sui generis* right—Article 8(1) that provides the right for lawful users to extract or re-utilize insubstantial parts of a database's contents—are optional and may be overridden by contract.<sup>352</sup> Again, it may well be that the narrow scope of exceptions to the *sui generis* right can also be challenged for not properly taking into account user's rights to an extent that upsets the

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345. Georges Koumantos, *Les Bases de Données dans la Directive Communautaire [Databases in the Community Directive]*, 171 REVUE INTERNATIONALE DU DROIT D'AUTEUR (RIDA) 78 (1997).

346. For the strongest criticism of the EU and U.S. approaches to database protection, see Reichman & Samuelson, *supra* note 172, at 55.

347. *Id.* at 92.

348. *Cf.* Database Directive, *supra* note 78, at art. 9.

349. *Id.* at art. 9 (stating that extraction for private purposes of the contents of a non-electronic database are allowed).

350. *Compare id.* at art. 9 with art. 3.

351. *Id.* at art. 9.

352. *Id.* at art. 8.

delicate balance between property rights or specifically *sui generis* right and freedom of expression and information. Finally, one could argue that the *sui generis* right does not distinguish between non-copyrightable ideas and their copyrightable expression, thus potentially inhibiting the evolution of a “public domain substratum from which either research workers or second comers are progressively entitled to withdraw previously generated data without seeking licenses that may or may not be granted.”<sup>353</sup> By extension, database producers “obtain proprietary rights in data as such, a type of ownership that the copyright paradigm expressly precludes,”<sup>354</sup> exposing the Directive to an additional general basis for constitutional challenge.

Professor Hugenholtz also examined selected national constitutional laws in the Member States, showing that constitutional challenges might also be successful in some, or even many, national courts to an imbalanced copyright legislation.<sup>355</sup> Thus, challenges to the Database Directive in the national courts of the Member States may also be possible as the Directive grants a property right in data that is also in tension with freedom of expression and information.

To signal to the EU institutions that their imbalanced approach is inappropriate and unacceptable, the EU courts at all levels might use these constitutional challenges to restore the traditional balance between publishers, authors, and users. The EU’s imbalanced policies are evident, for example, in its later copyright harmonization initiative, the Copyright Directive.<sup>356</sup> This directive tried to harmonize certain aspects of copyright law in the EU, reflecting a clear departure from the previous piecemeal approach. The result was poor legislation that protects mainly the interests of “producers, broadcasters, and institutional users” and does not seriously take into account authors’ rights.<sup>357</sup>

## 2. *Invalidity under International IP Conventions*

The Directive’s reciprocity provision may be challenged at the international level under the different intellectual property conventions. As explained above, the EU adopted the reciprocity provision despite the trend toward national treatment because it is a useful negotiation chip in bilater-

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353. Reichman & Samuelson, *supra* note 172, at 88.

354. *Id.* at 89.

355. *See Freedom of Expression, supra* note 330, at 354-58.

356. Council Directive 2001/29/EC, On the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society, 2001 O.J. (L 167/10).

357. P. Bernt Hugenholtz, *Why the Copyright Directive is Unimportant and Possibly Invalid*, 22 EUR. INTELL. PROP. REV. 499 (2000).

al negotiations with trading partners.<sup>358</sup> However, it may also be a potent tool for pressuring other countries to adopt similar legislation.<sup>359</sup>

A closer look at the different international instruments reveals that such a challenge probably has merit. The Berne Convention, the Copyright Treaty and the TRIPS Agreement all include national treatment obligation, and in the case of the TRIPS Agreement, the similar obligation of Most Favored Nation. The national treatment obligation requires a nation to extend the same copyright protection (as well as other kinds of IP rights) provided to its own nationals to the citizens of other nations that are parties to the relevant international agreement.<sup>360</sup> While TRIPS specifies certain minimum requirements of protection for intellectual property, the Agreement also provides that Members may provide more extensive protection to intellectual property than is required by the Agreement. Therefore, if a nation chooses to provide more extensive protection to intellectual property than is required under TRIPS, then it must provide that additional protection to nationals of other nations. Thus, it seems that a nation cannot provide that additional protection to such nationals only on a reciprocal basis. On its face, then, the Database Directive's reciprocity requirement is in direct violation of TRIPS, and arguably invalid.

The obligation of national treatment arguably extends only to the protection required by TRIPS so it can be argued that the Database Directive is not covered by TRIPS.<sup>361</sup> However, the Agreement seems to be clear in that obligations of national treatment and most favored nation treatment extend to all intellectual property. Another argument is that the Database Directive does not constitute intellectual property, and as such is not subject matter under TRIPS, and therefore is not subject to the national treatment and most favored nation provisions. However, examination of the Directive suggests that the *sui generis* right may well fall under the definition of "intellectual property" under Article 1(2) of the TRIPS Agreement. This Article specifically includes "copyrighted and related rights" as specific kind of intellectual property. On its face the *sui generis* right is similar to copyright as the scope and nature of the rights conferred on the pro-

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358. See *supra* Section IV.A.3 (discussing the reciprocity requirement).

359. *Id.*

360. See, e.g., TRIPs Agreement, *supra* note 14, at art. 3(1); Berne Convention, *supra* note 13, at art. 5; see also TRIPs Agreement, *supra* note 14, at art. 4 (providing that "[w]ith regard to intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members").

361. See TRIPs Agreement, *supra* note 14, at art. 1(3) ("Members shall accord the treatment provided in this Agreement to the nationals of other Members.").

ducer are property rights in data for a possibly eternal term, even stronger than those granted under intellectual property laws that are usually limited in term and scope.

Finally, some have argued that the *sui generis* right might be characterized as a right to prevent a new species of “unfair competition,” within the meaning of Article 10.<sup>362</sup> Thus, the *sui generis* right might be subject to the national treatment obligations the Berne Convention and the TRIPs Agreement imposed.<sup>363</sup> However, the current version of the *sui generis* right appears to have acquired most of the traits of an exclusive property right—an economic right that “has nothing in common with unfair competition remedies because it does not sanction behaviour *a posteriori* and because it provides for a term of protection.”<sup>364</sup>

## V. CONCLUSION

This Article evaluates EU copyright policy through the lens of the debate over database protection. The database protection debate has challenged the intellectual property regimes not only of the EU but also of many other countries, raising questions as to the need in either extending copyright protection to unoriginal databases or, alternatively, crafting a form of *sui generis* protection.

An examination generally of the origins of EU copyright policy and specifically of the Directive’s formulation process, reveals the EU’s underlying policy goals as well as its copyright agenda. In particular, the analysis shows that while facilitating integration and trade between Member States were definitely major policy goals, other motivations also played a role in the design of the Directive, most notably the EU’s strong desire to provide its database producers with a competitive advantage in the global information market.

The Article also questions the EU’s copyright agenda, suggesting that the EU has failed to consider many issues in its formulation of the Directive. These include basic questions such as whether such a Directive is economically necessary and whether any such regime should not only ac-

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362. *But see* William R. Cornish, *1996 European Community Directive on Database Protection*, 21 COLUM.-VLA J.L. & ARTS 1, 13 (1996) (arguing that the *sui generis* right in its nascent stage in the first proposal was more of an unfair-competition-type remedy than a true intellectual property right and as such can be subject to the national treatment requirement).

363. TRIPs Agreement, *supra* note 14, at art. 3(1); Berne Convention, *supra* note 13, at art. 5.

364. Jens L. Gaster, *The EU Council of Ministers’ Common Position Concerning the Legal Protection of Databases: A First Comment*, 6 ENT. L.R. 258 (1995).

count for publishers' interests but also offer a balanced approach to other important interests, such as those of end-users and authors. This Article also suggests that the EU has failed to consider the Directive's other potential vulnerabilities.

The EU's "experiments" with copyright law and *sui generis* protection raise many questions, some of which still await exploration. While this Article tried to explore EU copyright law policy critically through the lens of the Database Directive, additional research is required. The EU is a dominant player in the global communication and information market, and its policies can serve as good case studies for exploring the role of intellectual property more broadly in incentivizing research and development in different contexts. Therefore, future work on EU copyright policy will advance our understanding regarding intellectual property regimes in general and EU copyright policy in particular.