SUI GENERIS OR TOO GENEROUS: LEGISLATIVE PROTECTION OF DATABASES, ITS IMPLICATIONS FOR AUSTRALIA AND SOME SUGGESTIONS FOR REFORM

MARK J DAVISON*

The member nations of the European Union and the United States of America are currently in the process of either introducing, or debating the introduction of, sui generis[1] legal protection for databases which exceeds and is separate from that granted by their copyright laws. These moves, coupled with proposals for a World Intellectual Property Organisation (WIPO) Treaty on Databases (the Draft Treaty),[2] mean that Australia must inevitably respond to the question of whether any specific legal protection should be provided to databases and, if so, what form that protection should take.[3] This article examines the current European and American models for protection of databases, considers some of the general implications of those models and then explores some of the specific implications for Australia and Australian legal practitioners of the international moves to sui generis protection of databases. It concludes with the suggestion that the debate about specific protection for databases provides an opportunity for reform of the entire legal regime concerning the protection of databases and that an exclusive focus on providing additional, separate legal protection for databases is an inadequate response to the question of what is the proper legal protection of databases. In particular, it may now be appropriate to excise the legal protection of databases from copyright law altogether and make them subject to just one, new piece of legislation.

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* Senior Lecturer, Faculty of Law, Monash University.

1 'Sui generis' means 'of its own kind'. See R Bird, *Osborn's Concise Legal Dictionary*, Sweet and Maxwell (7th ed, 1983) p 316.

2 Basic Proposal for the Substantive Provisions of the Treaty on Intellectual Property in Respect of Databases August, 1996 WIPO Document No CRNR/DC/6.

3 The matter has already been considered by the Copyright Law Review Committee (CLRC) *Computer Software Protection*, Commonwealth of Australia, 1995 at 278-9, which recommended that consideration should be given to an unfair extraction right immediately after the final draft of the European *Directive on the Legal Protection of Databases* (note 22 *infra*) was written.

I. THE BACKGROUND

The definition of a database is itself uncertain and the subject of controversy. The issue is not highly relevant to this article and so it is not addressed here in detail. For our purposes, the following definition can be adopted:

> Any body of information organised or arranged according to some basic principle of compilation that enables a user to readily retrieve and use particular items.[4]

Databases, therefore, include all sorts of collections of information such as stock market share prices, sports scores, lists of statistics concerning sports stars' performances, television program listings, lists of interest rates offered by banks and financial institutions, telephone books, collection of legal information such as those available on commercial databases like Lexis and so on. There is an almost unlimited number of commercial databases that can be or already have been created and the number of commercial databases has significantly increased in the last six years.[5] Some, such as Lexis, are available in electronic form only, while others may only be available in hard copy.

The pressure to provide specific legislative protection for databases has arisen from the increase in the mass of raw data available in almost every area of commerce and science, the increased technological ability to create databases containing that data and the increased technological ability to provide easy access to those databases. This is coupled with the increased technological ability of others to reproduce those databases and a perceived lack of adequate protection from existing legal regimes such as copyright. In particular, advances in digital technology have facilitated the creation of databases. Large amounts of data can be stored digitally in a cheap, convenient form. Scanners permit conversion of data to a digital form. Access and use of this data is facilitated by computer programs that enable quick and reliable searching and retrieval of data. Computer networks also allow on-line use of databases, thus increasing ease of access to them and their marketability. However, the same technology that has expanded the role and usefulness of databases also permits quick and easy reproduction of those databases or large parts of the data contained within them. Consequently, database operators have claimed that they require legislative protection to protect their investment in the creation and marketing of databases from free-riders who can quickly and easily reproduce the databases created and maintained by others.

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4 S Ricketson, "The use of copyright works in electronic databases" (1989) 63 *Law Institute Journal* 480 at 483.

5 M Williams, "The State of Databases Today: 1998" in E Holmerberg (ed), *Gale Directory of Databases*, Gales Research Inc (1998). See also the testimony of Jonathan Band on behalf of the Online Banking Association before the Subcommittee on Courts and Intellectual Property of the United States House of Representatives Committee on the Judiciary on the Collections of Information Antipiracy Act at <http:www.hyperlaw.com/band.htm>.

II. EXISTING PROTECTION FOR DATABASES

In the absence of specific legislation protecting databases, protection may flow from copyright, contract and technological restrictions on access.[6] An understanding of the nature of the protection these sources provide and the problems inherent within those sources of protection is necessary for our purposes, although a comprehensive analysis of these issues is beyond the scope of this article.

Copyright

There are a number of difficulties associated with the application of copyright law to databases. A database is a form of compilation and some, but not all compilations, receive copyright protection.[7] Whether copyright protection is conferred on a particular database depends on criteria which vary between jurisdictions. Even within any given jurisdiction, it is difficult to predict whether any particular database will be granted copyright protection because of uncertainty surrounding the application of these criteria. Even if copyright protection is conferred on a database, it is difficult to determine the extent of protection.

Various international agreements require copyright protection to be given to:

> Compilations of data or other material ... which by reason of the selection or arrangement of their contents constitute intellectual creations [and] shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.[8]

As can be seen from the above provision, compilations need only receive copyright protection if they constitute "intellectual creations". This requirement is a reflection of the need for a compilation to be original in order to obtain copyright protection. While the requirement of originality is met relatively easily, there are differences between jurisdictions as to what is necessary to meet the requirement. In particular, a number of jurisdictions have rejected the notion that copyright protection can be founded solely on the basis of the amount of labour expended in compiling the data in the compilation. Copyright protection claimed on this basis is referred to as 'sweat of the brow' copyright.

The most well known decision rejecting 'sweat of the brow' copyright is *Feist Publications Inc v Rural Telephone Service Co*[9] in which the Supreme Court of the United States of America rejected a claim for copyright in the white pages published by the plaintiff telephone company. Obviously, copyright did not subsist in the individual telephone book entries so the question was whether the

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6 It may also be conferred by the application of a general action of unfair competition, particularly in the United States. See the discussion below concerning the American position on protection of databases.

7 The definition of 'literary work' in s 10(1) of the *Copyright Act* 1968 (Cth) includes "a ... compilation expressed in words, figures or symbols (whether or not in a visible form)".

8 Article 10(2) of TRIPS. See also Article 5 of the WIPO Copyright Treaty, Geneva, 1996 and Article 2(5) of the Berne Convention for the Protection of Literary and Artistic Works, Paris Act, 1971 although this latter provision only extends to compilations of artistic and literary works.

9 499 US 340 (1991).

plaintiff "selected, coordinated or arranged these uncopyrightable facts in an original way".[10] The Court noted that the standard of originality is low and the facts need not be presented in an innovative or surprising way but "[i]t is equally true, however, that the selection and arrangement of facts cannot be so mechanical or routine as to require no creativity whatsoever".[11] The Court went on to hold that the actual publication prepared by Feist was "a garden-variety white pages directory, devoid of even the slightest trace of creativity".[12] Since that decision, a number of other decisions in North America have impacted on copyright protection for compilations of facts.[13]

On the other hand, there have been cases decided since *Feist* that confirm that the level of originality required in order to obtain copyright protection is quite low. For example, in *Kregos v Associated Press*,[14] a table of nine statistics concerning the performance of baseball pitchers was held to be subject to copyright. The court found that there was sufficient creativity involved in choosing the nine criteria for the statistics since it was possible to choose a myriad of different criteria for statistical measurement of a pitcher's performance. In contrast, a compilation of lucky numbers used in gambling was not copyrightable.[15] The numbers in question were generated pursuant to two standard formulae used within the 'industry' and, although calculating them involved a great deal of labour, there was insufficient creativity to constitute a literary work. As a consequence of decisions such as these, there is some difficulty in determining whether copyright subsists in a compilation even within the one jurisdiction.

The situation is even more complicated within the European Union because different member nations have developed different originality requirements. For example, there is a low threshold for originality in England, Ireland and the Netherlands, and a high threshold in Germany.[16]

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10 *Ibid* at 361.

11 *Ibid.*

12 *Ibid.*

13 See, for example, the discussion of various cases in the *US Copyright Office Report on Legal Protection for Databases*, August, 1997 (*US Copyright Office Report*) at 10-2. See also the decision of the Canadian Federal Court of Appeal in *Tele-Direct (Publications) Inc v American Business Information Inc* 76 CPR 3d 296 (1997) in which copyright was held not to exist in the plaintiff's yellow pages directory. This decision was affirmed by the Supreme Court of Canada on May 21, 1998.

14 937 F2d 700 (2nd Cir 1991).

15 *Victor Lalli Enterprises Inc v Big Red Apple Inc* 936 F 2d 671 (2d Cir 1991).

16 See G Tritton, *Intellectual Property in Europe*, Sweet and Maxwell (1996) p 213-14,; the *US Copyright Office Report*, note 13 *supra* at 44-5; J Reichman and P Samuelson, "Intellectual Property Rights in Data" (1997) 50 *Vanderbilt Law Review* 51 at 62. The directive of the European Parliament and the Council of the European Union seeks to harmonise copyright law concerning this issue. See Article 3(1) of the directive, note 22 *infra*.

The position in Australia is also unclear although a number of academic writers[17] and the Copyright Law Review Committee[18] (CLRC) have suggested that Australian courts impose only a low threshold of originality that would confer a high level of copyright protection on databases. There is no definitive authority on the question of 'sweat of the brow' copyright as those judgments concerning compilations have referred to skill, labour and judgment in producing the compilation without seeming to differentiate between those different aspects of the production of a compilation. Hence, the focus has been on the total amount of skill, labour and judgment employed rather than the degree of skill or judgment involved.[19]

In any event, even if a compilation is held to be entitled to copyright protection, the decisions concerning copyright protection of compilations are complicated even further by the issue of the extent of protection actually granted to those compilations. Copyright only applies to that aspect of the compilation that is original. Hence, it does not apply to the underlying data itself but only to the selection or arrangement of the data. Therefore, a great amount of data can be taken without there being an infringement, provided the defendant has not copied a substantial part of the original selection and arrangement of that data. Again, there are differences in the way in which courts in the United States have applied the requirement that the plaintiff demonstrate that the original aspects of a compilation subject to copyright have been copied.[20]

The net result is that there is considerable uncertainty both within and between jurisdictions as to whether a database has copyright protection. Even if a compilation does have copyright protection, the scope of that protection is difficult to ascertain. Consequently, the state of copyright law concerning compilations is so uncertain as to be a source of concern to database owners.

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17 See for example, W Rothnie, "The European Union's Database Directive" (1996) 7 *Australian Intellectual Property Law Journal* 114; A Monotti, "Copyright Protection of Computerised Databases" (1992) 3 *Australian Intellectual Property Journal* 135; N Yastreboff "Copyright for online databases on the Internet" (1996) 9 *Australian Intellectual Property Law Bulletin* 33 at 37 (which suggest that copyright is conferred on 'sweat of the brow'). In *Mirror Newspapers Ltd v Queensland Newspapers Ltd* [1982] Qd R 305 copyright was held to subsist in a list of bingo numbers but in *Victoria Park Racing & Recreation Grounds Co Ltd v Taylor* (1937) 58 CLR 479 copyright was held not to subsist in a race book containing information such as the names and numbers of starting horses, scratched horses and placegetters.

18 Note 3 *supra* at 273.

19 See for example, the decisions in *Skybase Nominees Pty Ltd v Fortuity Pty Ltd* (1997) AIPC 91-302 at 39,127-8, per Nicholson J; *Andrew Cash and Co Investments Pty Ltd v Porter and Ors* (1997) AIPC 91-296 at 39,085, per Foster J; and, *Acohs Pty Ltd v RA Bashford Consulting Pty Ltd and Ors* (1997) AIPC 91-329 at 39,414-15 (although in that case, Merkel J at 39,415 went on to say that "if the selection process does not involve any element of originality or skill, but is rather a selection which is of an 'obvious and common place character' the compilation will fail to display the qualities required to attract copyright").

20 See the discussion of cases in the *US Copyright Office Report*, note 13 *supra* at 13-14. See also *Warren Publishing Inc v Microdos Data Corp* 115 F 3d 1509 (1997) (affirmed by the Supreme Court of the United States at 118 S Ct 397 (1997)), in which copyright in the arrangement of information concerning cable television systems was found not to be infringed despite the similarities in the method of displaying which communities were serviced by which cable system.

Contract and Technological Controls

Regardless of the extent of copyright protection, protection is also provided by contract law under which database owners can contractually restrict the use of their databases by others with whom they have a contractual relationship. This use of contract is augmented by technological controls on access to the database, particularly controls such as the use of passwords to prevent unauthorised access to on-line databases. Those given access to the database are required to enter into contracts concerning the nature of their use of the database and the data within it.

There are a few legal difficulties with the use of contract and technological controls to protect databases. From the perspective of the database owner, one difficulty is that contractual obligations that limit the use of a database or its contents are only enforceable against those who are in a contractual relationship with the database owner. Contract law does not prevent unauthorised use by those who have no contractual obligations to the database owners. Consequently, many database owners consider that contract does not provide sufficient protection and separate legislative protection is required. On the other hand, one concern raised by the use of contract in combination with technological restrictions to restrict the use of databases is that it gives the database owner too much power over access to and use of the database. Contract can be used to by-pass aspects of copyright or other legislation that would permit certain uses of the material, such as that coming within the defences of fair dealing. This problem is, of course, applicable to all copyright material and has prompted suggestions that contract should not be permitted to pre-empt statutory entitlements to use of copyright material.[21]

III. MODELS FOR PROTECTION

Claims that existing legal protection for databases is inadequate have led to the development of proposals for sui generis legislation protecting databases.

The European Union was the first to move towards sui generis legislation when a *Directive on the Legal Protection of Databases* (the *Directive*) was issued by the European Parliament and the Council of the European Union.[22] The *Directive* required each member of the European Union to pass its own domestic legislation implementing the *Directive* by the beginning of 1998.[23]

There are sixty recitals in the *Directive* setting out why the *Directive* has been adopted. There are two main reasons advanced by those recitals for the *Directive*. The first of these reasons is to harmonise copyright law within the European Union.

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21 This argument was unsuccessfully put in *ProCD v Zeidenberg* 86 F 3d 1447 (7th Cir, 1996).

22 Directive 96/9/EC of the European Parliament and of the Council of 11 March, 1996 on the legal protection of databases.

23 Article 16 of the *Directive*.

A number of provisions concerning copyright appear in the *Directive* which attempt to overcome the difficulties caused by differences in the copyright protection provided in different European Union nations to databases. In particular, Article 3(1) requires copyright protection to be conferred on databases if they "by reason of the selection or arrangement of [their] contents, constitute the author's own intellectual creation". This provision has been interpreted as conferring the same rights as those defined in the *Feist* decision,[24] although it has not yet been tested in any decided case. If that is the situation, then the low threshold of originality required in nations such as England would, in theory, become higher and the requirements in other nations within the European Union may become lower. In any event, the standard is necessarily difficult to apply in any given case. This difficulty is exacerbated by the differing legal cultures within the European Union, in which the importance of precedent varies, and by the existing differences in copyright law between different members of the European Union. At the very least, it will take some time before the imprecise standard for protection, the vagueness concerning the extent of protection and the differences between legal cultures will successfully combine to achieve a harmonised result within the European Union.

The second main reason for the *Directive* is to increase the protection for databases. This is achieved by Chapter III of the *Directive*. Chapter III contains a property model of database protection which is analogous to, but quite separate from and additional to, any copyright protection.[25] It treats a database as property in respect of which the owner has some exclusive rights and the right to transfer, assign and licence those rights.[26] "Databases" are defined broadly 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."[27] The maker of a database who has made a substantial investment in either the obtaining, verification or presentation of the contents is given two exclusive rights in respect of that database.[28] Those rights are the rights of extraction and re-utilisation of the whole or a substantial part of the data within a database.

'Extraction' is defined as:

> [T]he 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.[29]

'Re-utilization' is defined as:

> [A]ny 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.[30]

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24 *US Copyright Office Report*, note 13 *supra* at 45; J Reichman and P Samuelson, note 16 *supra* at 75.

25 Article 13 of the *Directive*.

26 Article 7(3) of the *Directive*.

27 Article 1(2) of the *Directive*.

28 Article 7(1) of the *Directive*. These rights are referred to as the one right of extraction and re-utilization but it is easier and probably more accurate to treat them as separate rights.

29 Article 7(2)(a) of the *Directive*.

30 Article 7(2)(b) of the *Directive*.

Both these rights closely parallel some of the exclusive rights conferred on copyright owners. The right of extraction is, in essence, a right of reproduction although arguably it goes further than that right by clarifying that even a temporary 'transfer' to another medium will be an infringement.[31] The right of re-utilisation covers making the database available to the public in any form, either electronically or in hard copy. This is demonstrated by the reference to the "distribution of copies" which clearly encompasses hard copies and the reference to "on-line or other forms of transmission". It is an amalgam of the rights of distribution, rental, transmission and making available to the public referred to in the WIPO Copyright Treaty 1996 (Geneva).[32]

Although the terminology used to describe the rights and their infringement suggests that this new protection for databases applies similar principles to copyright and, in many respects, there are significant similarities, there are a number of key differences. One key difference is that protection is indisputably granted to the 'sweat of the brow' of the database maker. Article 7(1) provides that the exclusive rights of extraction and re-utilisation are conferred on a database maker who shows that:

> [T]here has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents.

Unlike the position with copyright, there need not be any creativity associated with the production of the database. It is sufficient that there has been a substantial investment from a quantitative perspective. This emphasis on the quantity of investment is augmented by the test for infringement. Under copyright law, any dealing with a substantial part of copyright material is deemed to be a dealing with the whole of the work.[33] Hence, exercising any of the exclusive rights of a copyright owner in respect of a substantial part of copyright material without the copyright owner's protection will constitute infringement. Similarly, extraction or re-utilisation of a substantial part of a database is just as much an infringement as extracting or re-utilising the entire database. However, under copyright principles, "a substantial part" is judged primarily from a qualitative perspective rather than a quantitative perspective.[34] This is not the case under the *Directive*. What constitutes a substantial part of the database can be judged from either a qualitative or a quantitative basis.[35]

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31 Article 7(2)(a) of the *Directive*; although Article 5(a) which deals with copyright protection also grants the copyright owner in a database the exclusive right to temporarily reproduce the database or a substantial part of it by any means or in any form, thus suggesting that the right of reproduction in copyright includes temporary copies.

32 See Articles 6, 7 and 8 of the WIPO Copyright Treaty 1996. It should be noted that the right of making available to the public pursuant to the WIPO Copyright Treaty 1996 is more restricted than the reference to "making available to the public" in the definition of "re-utilization" under the *Directive*. The former is restricted to situations where material is made available electronically at a time determined by the user. See Article 8 of the WIPO Copyright Treaty 1996.

33 See for example, s14 of the *Copyright Act* 1968 (Cth).

34 For example, *Hawkes & Son (London) Ltd v Paramount Films Service Ltd* [1934] 1 Ch 593; *Ladbroke (Football) Ltd v William Hill (Football) Ltd* (1964) 1 All ER 465; and, *International Writing Institute Inc v Rimila Pty Ltd* (1993) AIPC 91-035.

35 Article 7(1).

Hence, taking a large amount of data will, in itself, constitute an infringement regardless of the importance of that data or the manner of its selection or arrangement.

Consequently, the provision of protection simply on the basis of the degree of investment in the creation of the database and the amount of data extracted or re-utilised, confers far greater protection than that conferred by copyright. There is, in effect, protection of the data itself.

Initial proposals for database protection in the United States of America followed a similar model to that contained in the *Directive*. The *Database Investment and Intellectual Property Antipiracy Bill* of 1996[36] sought to grant database makers similar rights to those provided in the *Directive*. For example, clause 4 of the Bill prohibited the extraction, use or reuse of "all or a substantial part ... of the contents of a database ... in a manner that conflicts with the database owner's normal exploitation of the database or adversely affects the actual or potential market for the database". Although this piece of legislation was not passed by Congress, it nevertheless influenced the position of the Unites States Government on an international treaty for protection of databases.

The property model espoused in the *Directive* and the *Database Investment and Intellectual Property Antipiracy Bill* of 1996 was the basis of the Draft Treaty which was prepared for the purposes of the Diplomatic Conference on Certain Copyright and Neighbouring Rights Questions that was held under the auspices of WIPO in Geneva in 1996. Discussion of the Draft Treaty did not proceed very far at that conference and consideration of any treaty on databases has been referred to individual nations and regional groupings for further consideration.[37]

Since then, the United States of America has ostensibly moved towards a different model of legislative protection of databases and there has been a great deal more discussion of the merits of database protection.[38] The *Collections of Information Antipiracy Bill*[39] (the *Bill*) was introduced into the Congress on the 9th October, 1997. The *Bill* does not refer to "databases" but to "collections of information gathered, organized or maintained by a person through the investment of substantial monetary or other resources".[40] It purports to base protection of collections of information on the concept of unfair competition rather than on exclusive property rights.[41] While the *Directive* and the Draft

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36 HR 3531 of the 104th Congress.

37 S Fox, "Joint Attorney-General's /Australian Academy of Science Workshop on draft WIPO database treaty" (1997) 10 *Australian Intellectual Property Law Bulletin* 39.

38 For example, the *US Copyright Office Report*, note 13 *supra*; L Tyson and E Sherry, "Statutory Protection for Databases: Economic and Public Policy Issues" (a paper prepared for the Information Industry Association and submitted to Congressional hearings on database protection legislation and American National Research Council "Bits of Power: Issues in Global Access to Scientific Data" 1997).

39 HR 2652 of the 105th Congress.

40 Section 1202 of the *Bill*, note 39 *supra*.

41 See the speech of the Honourable Howard Coble introducing the legislation available at <http://thomas.loc.gov/cgi-bin/query/D?r105:4./temp/~r105R5nd>, in which he said: "This bill differs dramatically from HR 3531, introduced in the last Congress by then Chairman Carlos Moorhead. HR 3531 proposed to enact a new form of sui generous(sic) copyright protection of databases. This bill is a minimalist approach grounded in unfair competition principles".

Treaty provided for exclusive rights of extraction and re-utilisation, the *Bill* only imposes liability in circumstances where a person extracts or uses a substantial part of the collection of information in such a way as to harm the owner's "actual or potential market for a product or service that incorporates that collection of information and is offered by [the database owner] in commerce".[42] Consequently, the emphasis of the *Bill* is upon the effect of the impugned acts on the owner's market rather than simply asking the question whether the exclusive rights of extraction or re-utilisation have been infringed.

This model of liability is based on common law principles of unfair competition that are recognised but not clearly delineated in various states of the United States. The first authoritative enunciation of the principle is widely regarded as being the decision by the Supreme Court of the United States in *International News Service v Associated Press.*[43] In that case, International News Service was sued by Associated Press for using in its newspapers stories which were produced by Associated Press. The stories were obtained from Associated Press' newspapers in England and sent to the United States so quickly that they appeared in International News Service's papers before appearing in Associated Press' American papers. For various reasons, an action for breach of copyright was not available, but the Supreme Court granted Associated Press relief on the basis of a common law action for unfair competition. The majority of the court stated that:

> [I]n a court of equity, where the question is one of unfair competition, if that which complainant has acquired fairly at substantial cost may be sold fairly at substantial profit, a competitor who is misappropriating it for the purpose of disposing of it to his own profit and to the disadvantage of the complainant cannot be heard to say that it is too fugitive or evanescent to be regarded as property. It has all the attributes of property necessary for determining that a misappropriation of it by a competitor is unfair competition because contrary to good conscience.[44]

The decision of the majority was clearly based on the appropriation of the plaintiff's labour expended in collecting the news rather than on any claim based on misrepresentation, which is the case in the majority of case law that refers to unfair competition.[45] The decision in the *International News Service* case has had a chequered history and it has been distinguished or simply ignored on a number of occasions.[46] The most recent attempt to apply it was in *National Basketball Association v Motorola Inc.*[47] The defendant in that case operated a service which paged basketball results and other statistics to subscribers to the paging service while the basketball matches were in progress. The National Basketball Association objected to this use of the information.

The second circuit of the United States Court of Appeal held that a cause of action exists when the following conditions are met:

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42 Section 1201 of the *Bill*, note 39 *supra*.

43 248 US 215 (1918).

44 *Ibid* at 241.

45 *Ibid* at 242.

46 See for example, D Baird, "Common Law Intellectual Property and the Legacy of International News Service v Associated Press" (1983) *University of Chicago Law Review* 411.

47 105 F 3d 841 (2d Cir, 1997).

> (i) a plaintiff generates or gathers information at a cost; (ii) the information is time-sensitive; (iii) a defendant's use of the information constitutes free-riding on the plaintiff's efforts; (iv) the defendant is in direct competition with a product or service offered by the plaintiff; and (v) the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.[48]

The action failed in that case because of the court's finding that the defendant was not taking a free-ride on the plaintiff's efforts. The statistics were compiled by people in the employ of the defendant and were not obtained directly from the plaintiff. The mere fact that the plaintiff organised the basketball games which were then statistically analysed by the defendant did not mean that the defendant was taking a free-ride on the plaintiff's efforts or that the plaintiff was generating the information in question.

While purporting to be based on this common law doctrine of unfair competition, as espoused by American courts in the abovementioned cases, the *Bill* does not represent a pure unfair competition or misappropriation approach and the protection granted resembles property rights in a number of ways. For example, it recognises the possibility of transfers and licenses of protected interests.[49] In addition, it goes beyond the decisions in the *International News Service* case and the *Motorola* case in that it is not limited to prohibiting conduct engaged in by competitors for profit and is applicable in respect of all databases, even those where information is not time sensitive, as was the case in both the *International News Service* and *Motorola* cases.

IV. SOME IMPLICATIONS OF THE MOVES FOR DATABASE PROTECTION

A number of concerns have been expressed from various quarters about both the *Directive* and the *Bill*[50] and some of those concerns are summarised briefly below.

Duration of Protection

The wording of both the *Directive* and the *Bill* effectively confers perpetual protection on the entire contents of a database, at least as long as that database is regularly updated. For example while the period of protection under the *Directive* is ostensibly restricted to 15 years, Art 10 provides, in part, that:

> The right provided for in Article 7 shall run from the date of completion of the making of the database. It shall expire fifteen years from the first of January of the year following the date of completion.

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48 *Ibid* at 845.

49 Section 1205(c).

50 For example, J Reichman and P Samuelson, note 16 *supra*; Statement of James Neal on behalf of the American Association of Libraries before the Subcommittee on Courts and Intellectual Property, 23rd October, 1997 at <http:www.house.gov/judiciary/41119.htm>.

Any substantial change, evaluated qualitatively or quantitatively, to the contents of a database including any substantial change resulting from the accumulation of successive addition, deletions or alterations, which would result in the database being considered to be a substantial new investment, evaluated qualitatively or quantitatively, shall qualify the database resulting from that investment for its own term of protection.

Consequently, provided that the database maker continues to make a substantial investment in updating its database, it retains protection for the entire contents of the database, including those contents that were collected more than 15 years ago. The *Bill* goes even further. It places no restriction on the point in time at which re-utilisation or extraction that harms the market of the legal person maintaining a collection of information will be actionable. In effect, protection will be perpetual under the *Bill* even without subsequent updating of the data.

This situation contrasts starkly with the limited duration of protection for copyright and patents. Under those intellectual property regimes, there is a clearly delineated social contract under which intellectual property that is created receives legislative protection for a fixed period. In return, the intellectual property becomes part of the public domain upon the expiration of that period. Such a social contract is lacking in both the *Directive* and the *Bill*. This is quite extraordinary given that the degree of creativity involved in making databases that are not subject to copyright is necessarily significantly less than that for copyright material or patented inventions.

Exceptions to Protection

The difficulties posed by the failure of the *Directive*, the *Bill* and the Draft Treaty to place a limit on the duration of protection are exacerbated by the lack of well considered exceptions to, and limitations on, the scope of protection. Again, this contrasts with the position under copyright where defences such as fair dealing are available as well as compulsory licensing provisions. The need to provide some guarantees of access for education and research purposes has received little attention in either the *Directive* or the *Bill*. For example, Article 9(b) of the *Directive* grants Member States an option to extract a substantial part of the contents of a database "for the purpose of illustration for teaching or scientific research, as long as the source is indicated and to the extent justified by the non-commercial purpose to be attained". The precise scope of this exception is unknown and probably needs clarification via individual pieces of legislation and subsequent judicial application of that legislation. Nevertheless, it is a concern that while the scope of protection is relatively clearly defined and mandated by the *Directive*, public interest exceptions are optional and not so clearly defined. This is despite the importance of access to data to the advancement of education and research.

The *Bill* is even less generous in its provisions concerning educational and research uses. Clause 1202(d) provides that,

> Nothing in this chapter shall restrict any person from extracting or using information for not-for-profit educational, scientific or research purposes in a manner that does

not harm the actual or potential market for the product or service referred to in section 1201.

This provision adds absolutely nothing to the infringement provision of the *Bill*. It does not permit educators or researchers to do any act that any other person could not do because s 1201, the infringement provision of the *Bill*, provides that only extraction or use that harms the actual or potential market for the product or service of the owner of the collection of information is unlawful.

Section 1202 of the *Bill* specifies four other 'permitted acts' although two of these would not constitute unlawful conduct within the meaning of s 1201 in any event. Section 1202(a) permits the extraction or use of an individual item of information or other insubstantial part of a collection of information. Since s 1201 only refers to the extraction or use of all or a substantial part of a collection of information, this permitted act would be permissible even without the benefit of s 1202(a). Section 1202(b) permits a person to independently gather information or use "information obtained by means other than extracting it from a collection of information, gathered, organised or maintained by another person through the investment of substantial monetary or other resources". Again, this adds nothing to s 1201 as these acts would not constitute extracting or using all or a substantial part of the collection of information of a plaintiff.[51]

One is left with the impression, from a study of those provisions, that the moves to protect databases were prompted almost solely out of concern for the interests of database makers and with little regard to the public interest in access to data.

Sole Source Databases and Compulsory Licensing

This impression is confirmed by the lack of effective provisions in the *Directive* or the *Bill* concerning databases consisting of information exclusively within the control of the database maker.[52] A particular concern arises where the maker of the database is also the same legal person who generated the data or is the exclusive licensee of that person. The telephone directory cases are examples of this in that telephone companies or their licensees are obviously the only parties that can develop the initial directory as they are the only ones with access to the relevant information. However, the most contentious copyright cases concerning this point are those involving West Publishing Company (West).[53]

A detailed analysis of the copyright implications of these cases is outside the scope of this paper but a brief discussion of them is pertinent to the issue of sui generis protection of databases. West publishes a number of American law

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51 The other two exceptions in s 1202(c) and (e) relate to use of information for verifying the accuracy of information independently gathered, organized or maintained by another person and extracting or using information for the sole purpose of news reporting.

52 S 1203(a) of the *Bill* does exclude collections of information "gathered, organised, or maintained within the scope of employment, agency or licence" of the Federal government or any State or local government from the protection provided by the *Bill* but the exact scope of that exception is not clear.

53 Since the litigation involving West Publishing Co it has merged with Thomson Publishing Co but it is referred to simply as "West" in this article for the purposes of convenience.

reports which over many years have become the most authoritative case reports. As a consequence, legal documentation will often be incomplete unless its case citations are to West's reports. This creates difficulties for legal database producers. While the database may contain the judgments of the courts which are written by judges and not West, the database is of limited use unless it provides its users with specific citations to the West reports. Consequently, database producers need to insert the page numbers from West's reports in the judgments that appear in their database so that a user can immediately identify the precise citation of the judgment without undertaking the further research of referring to the actual West report. West has objected to the unauthorised use of the page numbers from its reports and those objections have been the basis for a number of copyright actions.[54]

In two cases[55] courts in the United States have held that such activity by database owners infringed West's copyright. In a third decision, which is presently subject to appeal,[56] the court expressed a contrary view.[57] If sui generis database protection legislation was introduced in the United States of America, this would almost certainly ensure West's ability to restrain others from using its page numbers in their databases. This would effectively confer a monopoly on West in respect of law reporting in the United States unless there were some requirement to licence others to 'use' its page numbers. Not surprisingly, West has been one of the major supporters of sui generis database protection.[58]

A further concern is that many databases relate to specialist fields that are so small that the costs of creating a database in that field do not justify more than one party incurring that cost.[59] This natural monopoly would prevent a second competitor from entering the market in that area unless it could get a compulsory licence from the first entrant into the market. In turn, the absence of other competitors would lead to higher prices and inferior databases as there would be a lack of incentive for the first entrant into the market to improve its database.

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54 *West Publishing Co v Mead Data Central Inc* 616 F Supp 1571 (D Minn); 799 F 2d 1219(8 Cir, 1986); 479 US 1070 (US Sup Ct 1987); *Oasis Publishing Co v West Publishing Co* 924 Supp 918 (Min, 1996); *Matthew Bender Co Inc v West Publishing Co* (1997) US Dist Lexis 6915. These cases are complicated by other factors such as minor alterations that West makes to judgments such as correcting typographical errors etc.

55 *Mead Data Central Inc, ibid.*; *Oasis Publishing Co, ibid.*

56 See <http://www.hyperlaw.com/index.htm> for further details of pending litigation on the issue.

57 *Matthew Bender Co Inc v West Publishing Co* (1997) US Dist Lexis 6915.

58 West is a member of the Coalition against Database Piracy. See Written Statement of the Coalition against Database Piracy to the Subcommittee on Courts and Intellectual Property at <http://www.house.gov/judiciary/41117.htm>.

59 See the statement of J Reichman to the Subcommittee on Courts and Intellectual Property on 23rd October, 1997 at <http://www.house.gov/judiciary/41121.htm>.

V. SPECIFIC IMPLICATIONS FOR AUSTRALIA AND AUSTRALIAN LEGAL PRACTITIONERS

There are some particular issues that need to be considered by the Australian government and Australian legal practitioners as a consequence of the moves for database protection.

Reciprocity

The *Directive* requires, in Article 11, that the database protection legislation of individual member nations of the European Union is to provide protection to foreign databases on the basis of reciprocal protection rather than the basis of national treatment, the latter being the norm in international intellectual property. Agreements to extend protection to databases made in countries other than the European Union must be concluded by the European Council acting on a proposal from the European Commission.[60]

Consequently, Australian databases will not receive protection in Europe because of the lack of sui generis Australian legislative protection for databases. As has been pointed out by Rothnie,[61] it may be arguable that Australia does in fact provide sufficient copyright protection to databases to justify the receipt of reciprocal protection in Europe under database legislation. However, unless that argument is accepted and a formal agreement for reciprocal protection reached with the European Union, protection will not be extended to Australian databases.

Australian database makers will therefore miss out on database protection in Europe and, because of the arguably more stringent European views on copyright , may also miss out on copyright protection under European law. One way to get around this problem may be to meet the conditions for reciprocal protection set out in Article 11 of the *Directive*. Article 11 provides that the rights of extraction and re-utilisation will be extended to nationals of Member States of the European Union. Protection is also extended to companies formed in accordance with the law of Member States and who have their registered office, central administration or principal place of business within the Community. However, a company that only has its registered office in the European Union must demonstrate that its operations are genuinely linked on an ongoing basis with the economy of a Member State. It is unlikely that any Australian database maker could justify the costs associated with meeting the requirements of Article 11 simply to obtain protection pursuant to the *Directive*.

From an Australian government point of view, there will be pressure to either provide protection for European databases in order to gain reciprocal protection from European Union member nations or to take some steps internationally to force the European Union to amend its policy in this regard. In regard to this last point, it has already been suggested that the insistence on reciprocity contravenes

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60 Article 11(3) of the *Directive*.

61 W Rothnie, "The European Union Database Directive" (1996) 7 *Australian Intellectual Property Law Journal* 114.

the WTO agreement and creates a dangerous exception to the principle of national treatment in international intellectual property.[62]

One other possible response to the European Union's stance on this issue is to amend the *Copyright Act* 1968 (Cth) to impose the same standard for the provision of copyright protection of compilations as that which exists throughout Europe as a consequence of the *Directive*. At the least, this would ensure that European databases do not receive any greater protection in Australia than Australian databases would receive in Europe.

Difficulties with the Two Models of Protection

There are some particular difficulties from an Australian legal perspective with the various models of protection. The property rights model of the *Directive* has obvious difficulties for some of the reasons stated above. The unfair competition model of the *Bill* also has its own difficulties. Some of those difficulties flow from the fact that the model, in effect, delivers exclusive property rights to database owners. For example, it delivers an indefinite period of protection that is even more generous than that provided by the *Directive*. In reality, it is a hybrid system that provides property rights as well as rights to bring an action for unfair competition.

Another major difficulty is that unfair competition is not actionable in Australia.[63] It is an action known to American law but, even there, there is a great deal of uncertainty about the exact scope of the action. This uncertainty would be exacerbated by the wording of any legislation akin to the *Bill* due to the broad and imprecise language necessarily used in a statutory formulation of unfair competition.

As actions for unfair competition are both foreign to Australian jurisprudence and unclearly defined, Australian courts and legal practitioners are necessarily going to have difficulties defining the precise extent of protection provided via an unfair competition model. This would then generate uncertainty amongst database makers and users as to the precise scope of their rights and obligations.

The adoption of an unfair competition model may have other, far reaching effects on intellectual property in Australia. Once there is acknowledgment of a general principle of unfair competition based on the principle that one cannot reap the rewards of another's efforts, it would be difficult to resist the application of that principle to all areas of commerce. Restricting the provision of protection from unfair competition to databases would not be logical and would be ultimately indefensible. The consequence would be that there would be pressure on both courts and legislatures to make case law or introduce legislation that reflected the general principle that one cannot reap without sowing. For example, the law of passing off, at least in Australia, retains a requirement that the plaintiff prove that some form of misrepresentation has been

62 See Statement by J Reichman concerning HR 2652 before the Subcommittee on Courts and Intellectual Property, 23rd October, 1997, available at <http://www.house.gov/judiciary/41121.htm>.

63 *Moorgate Tobacco Co Ltd v Philip Morris Ltd* (1984) 3 IPR 545.

made by the defendant.[64] There would be immediate pressure to do away with that requirement on the grounds that a general principle of reaping without sowing would prevent a defendant from using a plaintiff's trade image or reputation, even in the absence of misrepresentation.

Another difficulty exists with the unfair competition model: it is based on controlling the relationship between the database maker and the individual user accused of improper use of the database. This is made clear by the decision in the *International News Service* case. In that case, the defendant argued that once a party made news available to the public at large, any purchaser of a newspaper containing that information had the right to communicate the news in it to anybody for any purpose.[65] The majority responded to this claim with the statement that "[t]he fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves".[66] By adopting such an approach, the public interest in access to information is devalued in the litigation process, which necessarily focuses on the parties before the courts without sufficient regard to the wider public interest. A model of protection that is more precise and which more clearly defines the right of the public to access information is more preferable for that reason.

Constitutional Difficulties

The difficulties associated with choosing an appropriate model for protection are compounded by the fact that for practical and constitutional reasons, Australia would be required to adopt the model of protection that is adopted internationally. For practical reasons, there would be great pressure on Australia to fall into line and it is unlikely that Australia would, or could, attempt to go it alone with its own particular model of protection.

The Australian Constitution also places some limits on the way in which the Australian government could respond to calls for protection of databases. The Australian Constitution grants the Federal government powers in respect of patents, copyright, trade marks and designs[67] but no specific powers in relation to new forms of intellectual property protection. Primarily, the external affairs power is relied upon to support legislation dealing with new forms of intellectual property on the basis that the new legislation implements an international agreement on the topic. For that reason, any such legislation needs to substantially reflect the international agreement that supports that legislation. This would be the position in relation to database protection legislation. This in turn means that the content of any international agreement on database protection is critical as it will dictate the shape of Australian legislation on the topic.

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64 *Ibid.* See also M Davison and M Kennedy, "Proof of Deception and Character Merchandising Cases" (1990) 16 *Monash University Law Review* 111.

65 Note 43 *supra* at 239.

66 *Ibid* at 240.

67 Section 51(xviii) of the Constitution.

Licensing Provisions

The actual implementation of the *Directive* and the likelihood of an international agreement on database protection with ensuing domestic legislation throughout many parts of the world means that legal practitioners need to consider some of the ramifications of that now. For example, when dealing with copyright licensing or assignment, they need to consider whether database rights also exist in respect of the copyright material. If so, the licensing agreement or assignment needs to address the issue of database rights. In particular, it should be borne in mind that it is not possible to predict the precise scope and nature of any database rights or the extent to which those rights will operate retrospectively in relation to existing databases or databases that are updated after the granting of rights in respect of databases generally. Consequently, relevant contractual provisions need to be drafted broadly enough to cover any rights that may be granted and in respect of any data that may be affected by those rights.

Relationship with Restrictive Trade Practices Provisions

One of the key concerns of opponents of database protection legislation is the potential anti-competitive effects of one legal person having exclusive legal control over valuable information. This control may flow from the fact that they are the first to develop a database in a particular field that will not support more than one database provider or that they have a database in respect of information that is exclusively available to them. As a consequence, there would be little or no opportunity for any competitor to produce a similar database. This has particular significance for Australia due to its relatively small population.

The existing provisions of the *Trade Practices Act* 1974 (Cth) are unlikely to have any significant impact on such a situation as the possession of monopoly power does not of itself constitute a breach of that legislation. One possibility is that s 46 of the *Trade Practices Act* 1974 (Cth) could be relied upon in circumstances where a database maker refuses to provide access to or use of the contents of the database to competitors who may wish to create rival databases. Arguably, their failure to do so would constitute a misuse of their market power for one of the purposes proscribed in s 46, in particular, the purpose of "preventing the entry of a person into that or any other market" (in this case, the market for the provision of the database service in question or the market for provision of information of the type contained in the database). On the other hand, the database owner may be able to simply argue that they are not taking advantage of their market power but simply enforcing the statutory rights they have in copyright and database protection legislation concerning its database.

The applicability of these opposing arguments would, in turn, depend on the nature of the rights granted by any legislation and the extent to which they are made subject to restrictive trade practices law. Alternatively, the legislation should provide for compulsory licensing of database information. This would obviate the need for complex trade practices litigation involving issues such as

defining the relevant market and the degree of market power held by the owner of a database.

VI. SHOULD WE HAVE SEPARATE PROTECTION FOR DATABASES AT ALL?

Given the existing protection for databases available from copyright law, contract and the use of technology to restrict access to them, the question arises whether additional protection should be provided at all. This is particularly the case in the light of Australia's position as a net importer of intellectual property. Once created, a new intellectual property regime is difficult to do away with, even if the original justification for the intellectual property regime was questionable. Similarly, once Australia joins an international intellectual property regime, the costs of withdrawal may be so great as to make that impossible.[68] Various economic analyses of patent protection, for example, suggest that it would be inappropriate to institute such a system today.

If we did not have a patent system, it would be irresponsible on the basis of our present knowledge of its economic consequences, to recommend instituting one. But since we have had a patent system for a long time, it would be irresponsible, on the basis of our present knowledge, to recommend abolishing it.[69] It would be regrettable if a similar error were made in respect of databases.

The empirical evidence justifying the establishment of protection for databases is limited.[70] The push for protection is based on economic theory and the lobbying of interested pressure groups. One consequence of this is that there has not been sufficient evidence accumulated as to the need for database protection, the potential negative impact of such protection or the need for exceptions to any protection that may be granted in order to offset that negative impact. All these factors suggest that, at the very least, any moves to sui generis protection in Australia or support for an international treaty to protect databases should be slow.

VII. A POSSIBLE APPROACH

Refusing sui generis protection for databases may be like attempting to hold back the tide given the existing European Union commitment to database protection and the evident intent of the United States of America to adopt some form of protection at some stage. Instead, perhaps the objective should be not to

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68 See for example, Industrial Property Advisory Committee, *Patents, Innovation and Competition in Australia, A Report to the Minister for Science and Technology*, 1984 at 15.

69 F Machlup, *An Economic Review of the Patent System*, United States Government Printing Office (1958), p 80.

70 See Statement of Marybeth Peters, Register of Copyrights before the House Subcommittee on Courts and Intellectual Property, 23rd October, 1997, available at <http://www.house.gov/judiciary/41112.htm>.

turn back the tide but to direct the tide waters in an appropriate manner. In particular, the present situation might present an ideal opportunity to reconsider the entire question of legal protection of data, not just the issue of specific and separate legislative protection for databases. The moves to create sui generis protection have been simplistic in that they have not suggested any significant changes to or statutory clarification of the copyright position in relation to copyright. Instead, those with vested interests in databases have simply sought to add on another form of protection in addition to any copyright protection that might exist. There is some considerable justification for excising databases from copyright protection altogether if a new form of sui generis protection is to be created for databases. There are both sound theoretical and practical reasons for doing so.

The case law, at least in common law countries, suggests that the line between obtaining copyright protection and failing to obtain it at all is a fine one in that it is difficult to detect if and when a database is subject to copyright and, when it is, what is the scope of that protection. Indeed, it may well be argued that the line is not fine but smudged because there is no real justifiable legal distinction between a number of the cases that have ended in different results. Yet the difference in legal protection between databases granted copyright protection and those that are not granted such protection is great. From a practical perspective, it may be easier to identify databases that are the product of substantial investment than to continue to attempt to distinguish between databases that are merely the product of 'sweat of the brow' and databases that are the product of it and other creative effort that under present copyright legislation justifies copyright protection. On the other hand, the case law demonstrates that there are difficulties in distinguishing between the creative effort in producing a compilation and the labour involved in doing so. In this respect, the impact of digital technology on reducing the labour involved in producing compilations should be acknowledged. The ability to select and arrange material has been considerably enhanced by computer functions as simple as cutting and pasting. This reduction in the labour involved in databases makes it easier to perform the intellectual tasks associated with producing databases which, in turn, further blurs the distinction between the intellectual aspect of producing databases and the labour involved in doing so. Consequently, the best way to proceed may be to excise all databases from copyright protection altogether and provide sui generis protection for them in circumstances where a substantial investment has been made in their creation.

A further practical consideration is that for the purposes of licensing and assigning rights in databases and any litigation concerning them, it would be far simpler if they were only subject to one piece of legislation. Difficulties will inevitably arise if some databases are subject to two separate sets of legislative rights. Examples of such difficulties will include circumstances in which copyright and database rights become vested in separate parties and the protraction and complication of litigation by multiple causes of action.

There are also theoretical justifications for making this distinction. The nature of the creative effort involved in producing a database is, arguably,

qualitatively different from the creative effort of an author who is not collecting and arranging material but generating it themselves. The latter is creative in the true sense of the word whereas the former is an effort of selection, collection and arrangement of that which has already been created. Both forms of effort may be worthy of protection for various reasons but it is quite arguable that the form of that protection should vary according to the nature of the effort.

Legal protection should not only vary according to the nature of the effort in producing that which is protected, but also according to the nature of the material being protected. The factors relevant to a balance of society's interest in maintaining access to databases and the need to provide a legal incentive to amass and organise such databases are different from those that are relevant to society's interest in the creation of new material such as literary works and the need to provide an incentive to produce such works.

In particular, the former issue requires consideration of the extent to which legal protection of a collection of information may deprive some sectors of society ready access to that which has already been created. Arguably, a number of aspects of copyright protection are inappropriate to databases. These include the period of protection, the nature of the rights to be granted, the relevant test of infringement, appropriate exceptions to infringement and the issue of compulsory licensing. Issues such as these need to be totally segregated from copyright in order to permit a proper consideration of the legal protection of databases and in order to permit some flexibility in the development of that legal protection.

The consideration of sui generis database protection should take place in the context of a determination and willingness to completely remould the entire legal regime concerning the protection of databases. This may and probably should include a willingness to reconsider copyright principles and their continued application to databases in a new world of technology. The models proposed to date are no more than attempts to substantially increase existing protection without consideration of the appropriateness of existing protection or engaging in a careful consideration of the relationship between that existing protection and the new models for protection. This is hardly surprising because this aspect of intellectual property law reform, like most aspects of such reform, is driven by producers rather than users. Consequently, there is no desire to seriously consider reducing existing rights and replacing them with new rights rather than simply adding on to existing protection. The challenge exists for government policy makers to be proactive in putting forward proposals for fundamental reform that may include a reduction of existing rights. This is particularly the case for 'user' nations such as Australia which have been placed in the role of merely responding to proposals put forward by nations which are producers of databases. The delay in consideration of an international treaty for protecting databases provides an excellent opportunity to take up such a challenge.