

EVOLVING LEGAL PROTECTION FOR DATABASES

By Peter K. Yu

Introduction

Information is the lifeblood of a knowledge-based economy. By collecting data from many different sources and translating them into meaningful information, databases are indispensable to businesspeople, scientists, scholars and consumers. They improve the productivity of our society, advance education and training and help create a more informed citizenry.

However, despite their importance, databases receive very limited protection under current intellectual property laws.

While information is free for anybody to collect, creating an accurate and reliable database can be very costly and time-consuming. To do so, the database producer has to invest a substantial amount of time, personnel and money to develop, compile, distribute and maintain the collected information. It also has to dedicate considerable resources to gather and verify data, to present them in a user-friendly fashion, and to keep them current and useful to the users. Thus, protection is needed to create incentives for database producers to invest in their production.

In 1996, the European Union promulgated a database directive, granting “sui generis” protection to databases created in the European Union and in other countries that offer comparable protection. (In Latin, “sui generis” means “of its own kind or class.”) To maintain its competitive advantage and to protect against piracy, the United States immediately followed by submitting a draft treaty proposal to the World Intellectual Property Organization (“WIPO”) and by introducing legislation in Congress.

Despite aggressive lobbying by the database industry, these proposals have yet to be adopted by either organization.

Protection of Databases in the United States

In the 1991 decision in *Feist Publications, Inc. v. Rural Telephone Service Co.*, the United States Supreme Court denied copyright protection to the white pages of a telephone directory. In this case, the Court made it clear that a compilation does not qualify for copyright protection unless information is selected, coordinated or arranged in an original manner. Thus, nonoriginal, noncreative databases (such as an alphabetical listing of names of people in a particular geographic area) do not qualify for copyright protection, no matter how much labor and capital have been expended to create them.

As a result of *Feist*, database producers receive very limited protection for their efforts and investment. Even if the data are compiled in an original and creative fashion, the U.S. Copyright Act only grants protection to the particular selection or arrangement. The underlying data, however, remain free for people to copy, extract or reutilize. Thus, except against wholesale copying, copyright protection is virtually unavailable to databases.

Although *Feist* closed the door for copyright protection of nonoriginal, noncreative databases, the decision suggests unfair competition laws, such as those protecting against misappropriation, as an alternative form of protection for databases. The state misappropriation doctrine was originated in a 1918 decision in *International News Service v. Associated Press*. In that case, the United States Supreme Court affirmed an injunction prohibiting International News Service from selling its competitor's hot, breaking news stories for commercial purposes until the commercial value of the news stories had dissipated.

Since *INS*, many states have incorporated the misappropriation doctrine into their own laws. These laws, however, have been greatly curtailed with the passage of the 1976 Copyright Act, which preempts state laws conflicting with the federal statute.

A case in point is the 1997 decision in *National Basketball Association v. Motorola*, in which the Second Circuit confined the protection of state misappropriation laws to time-sensitive materials that were appropriated for competition purposes. Because most database contents are archival, rather than time-sensitive, in nature, state misappropriation laws offer very limited protection for databases.

Database Protection in the European Union

In 1996, the European Union promulgated the European Parliament and Council Directive on the Legal Protection of Databases (the "EU Directive"). This directive required member states of the European Union to implement database protection laws by January 1, 1998.

Defining database 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," the EU Directive offers protection to both electronic and non-electronic databases.

It seeks to harmonize European copyright laws with respect to their protection of databases that constitute "the author's own intellectual creations." To supplement copyright, it also grants *sui generis* protection to databases created as a result of "substantial investment" by the database producers. Under the EU Directive, databases are protected against unauthorized extraction and reutilization for a term of 15 years regardless of their eligibility for copyright protection. Additional terms of 15 years will be granted upon showing of changes that constitute a "substantial new investment."

To the detriment of the U.S. database producers, the EU Directive also includes a reciprocity provision that denies protection to databases produced in non-European Union member countries that do not offer comparable protection to databases. As a result of this provision, databases produced by U.S. companies are vulnerable to foreign competition and piracy in the European markets (just as they are in the United States).

The United States Legislative Responses

In response to the EU Directive, the United States immediately submitted a draft treaty proposal to WIPO and introduced legislation in Congress.

Modeled after the EU Directive, the WIPO draft treaty proposal called for protection of databases created as a result of substantial investment by database producers in the collection, assembly, verification, organization or presentation of information. The term of protection was 25 years and could be renewed indefinitely upon showing of substantial changes in the database. Instead of reciprocity, the treaty proposal mandated national treatment.

So far, WIPO has not adopted any database treaty.

In May 1996, Representative Carlos Moorhead introduced the first database protection bill, the Database Investment and Intellectual Property Antipiracy Act of 1996 (H.R. 3531). Like the WIPO draft treaty proposal, this bill sought to protect any substantial investment by database producers in the collection, assembly, verification, organization or presentation of information. The proposed legislation offered protection for a term of 25 years, which was renewable indefinitely upon showing of substantial changes in the database. The bill, however, did not make it out of the House Judiciary Committee.

Since then, many legislative proposals for database protection have been introduced. In January 1999, Senator Orrin Hatch entered into the Senate Record three different legislative proposals emphasizing the danger of database piracy. On the same day, Representative Howard Coble introduced in the House the Collection of Information Antipiracy Act (H.R. 354). Four months later, Representative Tom Bliley introduced the Consumer and Investor Access to Information Act of 1999 (H.R. 1858). Despite these proposals, Congress has yet to pass any database protection legislation.

Problems with the Existing Legislative Proposals

For more than four years, Congress has been exploring ways to increase protection for databases. Yet, it has failed to reach a satisfactory solution. There are several reasons.

Economically, the existing proposals confer far broader and stronger exclusive rights on database contents than is necessary to provide the needed incentives for database producers. By granting database producers a monopoly over their collected data, the proposals allow private entities to lock up information that is essential to basic scientific research and future creative endeavors. The proposals would also create an anti-competitive environment that makes it difficult for valued-added products and services to enter the market, thus making information products more expensive.

In addition, the existing proposals have raised serious constitutional questions. The Constitution grants Congress enumerated powers to enact legislation in selected areas. So far, the proposals are problematic under both the copyright clause and the commerce clause. They are equally problematic under the First Amendment, as the new law would stifle public access to information and raw data.

By failing to address the potential mishandling of personal data, the proposals have also raised some privacy concerns.

Finally, as many commentators have pointed out, database producers have already enjoyed significant protection under state contract and misappropriation laws and nonlegal, technological

protective devices. Thus, sui generis legislation may not be necessary. In fact, many producers of databases are also consumers of databases. These producers would unlikely support any legislation unless they are certain that the legislation has struck the right balance between the production of databases and the use of collected information.

Conclusion

Given the considerable constitutional questions raised by the legislative proposals, Congress would unlikely pass any database protection legislation unless the database industry can provide substantial factual information as to how it would be harmed had the legislative proposal not been adopted.

So far, the industry has failed to produce such information, except by making generalized claims of potential foreign competition and piracy in the European markets. These claims ring hollow when only one out of the three major database industry stakeholders is an American company.

As the economy has become increasingly globalized, intellectual property laws can no longer be considered in the national context alone. If the European Union provides a more favorable environment to produce database than the United States, database producers may set up offices in, or even relocate to, the European Union. Thus, some form of database protection would be needed if the United States were to maintain its competitive edge in the information revolution.

Nevertheless, Congress should not pass legislation in a haphazard manner. Instead, it should carefully evaluate all the interests that will be affected by the new legislation, in particular the general public. After all, overprotecting intellectual property will be as detrimental to society as underprotecting it.

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