15 The industrial property right protection of the producer of a database
-- Some reflections on the future of European and Japanese protection schemes --

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The purpose of our research is to confront the European state of affairs with the Japanese understanding of database protection and the benefits of a specific producers' protection in this area.

The European Directive 96/9/EC of March, 11, 1996 decided to introduce, apart from the copyright protection of a database, an entirely new type of industrial property protection in favour of the producer of a database. Protection is made dependent on qualitatively and/or quantitatively substantial investment in either the obtaining, verification or presentation of the contents of a database.

Fears had been expressed, especially in the United States of America, that this new type of right might lead to a monopolisation of the data contained in the database. However, on November 9, 2004 the European Court of Justice delivered a series of judgements which made it clear that the scope of this sui generis right does not reach so far and that it is intended only to protect substantial investment in a database against the counterfeiting of its structural elements. Just as those unfounded fears seemed to decrease came this surprising announcement from the European Commission, which had been the inventor of the sui generis scheme, that it had started doubting about the usefulness of its own construction.

The situation thus seems to be moving, a remark that might be true for Japan also. Japan is presently reconsidering its position on the matter in order to know if it would be desirable to go further than copyright for protecting databases and to also introduce some form of unfair competition rule that would lead to a specific producers' protection in this area.

I Introduction

The European Directive 96/9/EC of March, 11, 1996 decided to grant, apart from the copyright protection for the author of an original database, an additional exclusive right to the so-called "maker" of a database.

Japan is presently reconsidering its position on the matter in order to know if it would be desirable to go further than the existing copyright protection for databases and to recognize also some form of specific protection for non-original databases. It is the purpose of our research to confront the current state of affairs in Europe with the actual Japanese reflections on this subject.

II The international discussions

1 The precedent of the European Directive

The history of the European Directive on the legal protection of databases starts in the year 1988. The text of the proposals finally became the Directive 96/9/EC of 11 March 1996 on the legal protection of databases. As in the initial proposals, two main aspects

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may be distinguished, one concerning the protection of databases by copyright and the other concerning the establishment of an entirely new *sui generis* right. This last aspect of the Directive introduces a new industrial property type of right for the benefit of the maker of a database, in order to protect his investments in this field.

2 The European and American proposals in Geneva

Shortly afterwards, the European Community and its Member States submitted a proposal for the introduction of *sui generis* protection of databases at the world-wide level.

Most interestingly, at that time, the United States of America also submitted a proposal on the same subject of a *sui generis* protection of databases. It was then assumed that one of the aims of a Diplomatic Conference, to be held in December 1996, would be to adopt a "Treaty on Intellectual Property in Respect of Databases".

However, the WIPO Diplomatic Conference 2-20 December 1996, adopted two new treaties, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, but not the Database Treaty, which was left for a later occasion.

The reason for this delay was in fact a change in attitude of the US delegation, which had become sensitive in the meantime to critics from the home front.

3 The anti sui generis movement in America

Large parts of US research and science circles had become increasingly reticent towards such new legislation. It was broadly claimed that a European type of *sui generis* system would lead if not to a monopoly of knowledge, then at least to a privatisation of scientific data. Fears were even expressed that the progress of science would be blocked.

III The existing copyright protection in Europe and Japan

1 The harmonized copyright protection in Europe

The database Directive obviously draws on earlier European Directives when in Article 3, paragraph 1, it states that "databases which, by reason of the selection or arrangement of their contents, constitute the author's own intellectual creation shall be protected as such by copyright". This phrasing was intended to harmonise the criterion for copyright protection of databases, which was already granted in almost all the Member States, albeit under dissimilar conditions.

By stressing that the criterion for protection should lie in the "selection or arrangement of their contents", the Directive highlights the fact that such protection will be independent of protection that might be granted to component materials. In addition, the Directive specifically states in Article 3, paragraph 2, and in Article 13 that its scope does not extend to database content and shall be without prejudice to any rights, in particular copyright, subsisting therein. Recital 18 explains that authors of pre-existing works or holders of related rights over works or subject matter that could be stored in databases consequently remain free to decide on the principle and on the form of such a reproduction.

In the second sentence of Article 3, paragraph 1, the Directive stresses that "no other criteria shall be applied" to determine whether databases are eligible for copyright protection.

With regard to the ownership of rights, it will be noted above all that the rule on salaried authors, which featured in the Commission's proposal, was dropped from the Directive. According to the initial text "where a computer program or database [is] created by an employee in the execution of his duties or following the instructions given by his employer, the employer exclusively shall be entitled to exercise all economic rights in the

computer program or database so created, unless otherwise provided by contract". This text has been removed and is now included as an option only in one of the introductory recitals. So national law will determine to whom the economic rights of employees will belong. As to the moral rights they will vest in the creator of the database anyway, because the Directive didn't want to include them in its scope.

The Directive also lists acts for which authorization by the author is required and the mandatory and optional exceptions thereto. One of these must be the freedom for the lawful user to perform all acts necessary for access to and normal use of database content.

2 The classic copyright protection in Japan

Databases are defined in Article 2 (1) (x*ter*) of the Copyright Act of Japan as "an aggregate of information such as Articles, numericals or diagrams, which is systematically constructed so that such information can be searched for with the aid of a computer".

Article 12*bis* on "database works" in its first paragraph is protecting as independent works "databases which, by reason of the selection or systematic construction of information contained therein, constitute intellectual creations".

According to the second paragraph of the same Article 12*bis* "the provision of the preceding paragraph shall not prejudice the rights of authors of works which form part of databases defined in that paragraph".

With regard to the ownership of rights, we must however also mention Article 15 (1) of the Copyright Law of Japan which, for all sorts of copyright works, stipulates that "the authorship of a work (except a program work) which, on the initiative of a legal person or other employer (hereinafter in this Article referred to as "legal person, etc."), is made by his employee in the course of his duties and is made public under the name of such legal person, etc. as the author shall be attributed to that legal person, etc., unless otherwise stipulated in a contract, work regulation or the like in force at the time of the making of the work". As a consequence, once these conditions are met, the copyright on an original database created by employees will right from the start belong to their employer. This solution applies to both the economic rights and the moral rights.

IV The new *sui generis* protection in Europe

1 The definition of the sui generis right in Chapter III of the Directive

The main feature of the Directive is to create a new economic right to protect the substantial investment of a database maker in either the obtaining, verification or presentation of the contents. This investment may be of a quantitative nature, such as a deployment of financial resources. But it may also consist in a qualitative effort like the expending of time and energy.

One could say that the European Directive is putting the maker of a database in a position that is somewhat similar to the one of a producer of phonograms in the field of music.

The section upon the *sui generis* right defines two new categories of restricted acts: extraction and re-utilisation.

The right applies to the whole or a substantial part of a database, which means that an insubstantial part is not protected by the *sui generis* right. However "the repeated and systematic extraction and/or re-utilization of insubstantial parts of the contents of the database implying acts which conflict with a normal exploitation of that database or which unreasonably prejudice the legitimate interests of the maker of the database shall not be permitted".

The Directive allows for a few exceptions. Article 9 authorises Member States to stipulate that lawful users may, without the autorisation of the maker:

(a) extract substantial parts of non-electronic databases for private purposes;

(b) extract substantial parts for the purposes 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 achieved;
(c) extract and/or re-utilise substantial parts for the purposes of public security or an administrative or judicial procedure.

This catalogue of exceptions is very short indeed and mostly restricted to the right of extraction. It contains no compulsory licence system for sole-source databases. And where *sui generis* right and copyright overlap this may lead to incongruences, because copyright allows for more exceptions.

Protection will last for 15 years, and that period may be renewed if there has been substantial new investment.

The *sui generis* right is conferred in addition to the other existing rights. In particular, the *sui generis* right may apply cumulatively with the copyright protection on a database if the prerequisites for both regimes are fulfilled. It is without prejudice to possible rights over the contents.

The new right being of a special type, not covered neither by any of the traditional international agreements on the protection of intellectual property rights, nor by the TRIPS agreement, the European Community is not bound to grant any national treatment to the makers or right holders of databases made in third countries.

2 The interpretation of the sui generis right by the Court of Justice

The way the Directive circumscribes the object of this *sui generis* right is rather ambiguous. In its Article 7 it seems to centre on the protection of "substantial parts of the contents". This is what many commentators lead to the conclusion that Chapter III on the *sui generis* right would be a protection scheme for the contents itself of a database, as opposed to Chapter II on copyright that would only provide for a protection of the selection or the arrangement of the contents. It is also the reason why many commentators criticised the new right, as leading towards a monopoly on data. Reading the recitals 45 and 46 of the Directive we learn however that this was not the intention as "the right to prevent unauthorized extraction and/or re-utilization does not in any way constitute an extension of copyright protection to mere facts or data (and)... should not give rise to the creation of a new right in the works, data or materials themselves".

How is this apparent contradiction to be resolved? In the system of European Union Law unclear wordings in Community legislation can be clarified through interpretation of the Court of Justice, answering questions referred to it by national judges under the system of "preliminary ruling". This is what a British judge did concerning the database of the British Horseracing Board and what Scandinavian and Greek judges did concerning English football fixtures. In all the cases involved, bookmakers, who were setting up betting services had wanted to freely take the relevant information from existing databases containing updated records of which horses were being run in particular races or of listings of the football competition. The makers of these databases opposed this, claiming they had invested substantially in their databases. The Court found however that most money and time had been invested in the collection of data prepared for a purpose separate from the making of the database. The investment in setting up the database itself had not been so substantial.

The interesting thing is that, in deciding so, the Court centred the range of the *sui generis* right on its very purpose, which is not to protect investment in data, but rather the investment in the setting up of the database through "the obtaining, verification or presentation of the contents". This is to say that the *sui generis* right is only intended to protect investment in what constitutes the essence of the activity of a database maker, namely the structuring of the information, or as the Court put it, the "data storage and processing systems". What really counts is investment in content processing, not in content production.

The consequence of these judgements is first of all that many databases will not qualify for *sui generis* protection. But, more

importantly, these decisions contributed to a better understanding of the basic principles of the Directive, which tends only to protect database structures, not database contents.

This same interpretation remains valid when it comes to define the scope of the *sui generis* right. The owner of this right will be entitled to prevent the extraction and/or re-utilization of the whole or of a substantial part of the contents of a database. Also, the repeated and systematic extraction and/or re-utilization of insubstantial parts of the contents of the database implying acts which conflict with a normal exploitation of that database or which unreasonably prejudice the legitimate interests of the maker of the database shall not be permitted. But here also the Court stressed that the correct assessment of what is to be considered as being a "substantial" part is depending on the value, not of the extracted single data, but on the value of organised data structures.

3 The real range of the sui generis right in the light of Chapter I of the Directive

If we try to summarize our findings we could say that before the BHB and Fixture judgments the dominant opinion was that a distinction had to be made between the copyright on a database, intended to protect "selection and arrangement of contents", and the sui generis right protecting the content itself. After the BHB –Fixture cases it has now become clear that content is not in itself the object of the *sui generis* right. Rather it is the "organised" content what the *sui generis* protection is about. It are the data that have been arranged in a searchable format through a substantial process of obtaining, verification and presentation.

The clue for a correct reading of the sui generis right might lie, not in Chapter III itself, but rather in Chapter I of the Directive. All too often one tends to forget that this introductory Chapter is defining the scope of the whole Directive, and thus also of Chapter III. In Article 1.2 it is said that "for the purposes of this Directive, 'database` shall mean a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means". It appears that, just as the Court said "the legal protection provided by the Directive is intended to encourage the development of systems performing a function of 'storage' and 'processing' of information". This means that the whole Directive is intended to protect, and to protect only, structural elements. It is indeed the system and the method of arranging the data and making them individually accessible that turns a loose collection of items into a database, searchable in an efficient manner.

To conclude we may therefore say that structure is the real object of the protection throughout the whole Directive. If the structure is creative "by reason of the selection or arrangement of their contents", Chapter II grants copyright protection to the author of the database. If this same structure shows a substantial investment "in either the obtaining, verification or presentation of the contents" Chapter III provides for a sui generis right for the maker of the database. Therefore, neither Chapter II, nor Chapter III will protect contents in itself.

Thus, after BHB and Fixtures, there is no more reason to fear any legal monopoly on information itself. If, nevertheless, some data happen to be protected it will be out of their own individual qualities, and not because of the impact of the database Directive. This is exactly what Article 7, paragraph 4 wants to say when it declares that the *sui generis* right "shall apply irrespective of eligibility of the contents of that database for protection by copyright or by other rights. Protection of databases under the (*sui generis*) right shall be without prejudice to rights existing in respect of their contents".

V The renewed discussions in Europe and Japan

1 The re-examination of the Directive in Europe

In December 2005 the DG Internal

Market and Services of the European Commission published a "Working Paper", containing an evaluation of the Database Directive. Its general setting is surprisingly critical towards a legislative instrument of which it had itself led the foundation.

Public consultation on this document was opened during the year 2006, resulting in 55 contributions from not only producers and users but also from academic and governmental sources. As to the more extreme policy options proposed it is no surprise to see that many more contributors preferred the doing nothing approach above the repeal everything one. And concerning the more moderate approach of amending the Directive many more contributors would like to improve the provisions on *sui generis* protection, rather than to repeal them. The problem is that some of these contributors asked for a broader definition of the *sui generis* right, whereas others would like to see more exceptions to it.

The conclusions of this exercise are not yet known. So we can only try to convey some personal impressions. First of all we think that the doubts expressed on the economic impact of the Directive are not based on solid statistical material.

Secondly, we do not feel that the case law of the ECJ would have "curtailed" the *sui generis* right. On the contrary, as we explained above, the interpretation by the Court seems to have redefined this protection system along the lines of what is precisely the core business of the database industry, namely to invest in the processing of data. It thereby prevents any legal monopoly on content, and thus answers the main criticism addressed to this Directive.

Thirdly, we have the impression that if the Directive could do with some amendments, these would be most urgently required in the sector of the exceptions to the rights. In particular
the exceptions contained in the Directive for the benefit of teaching and scientific research are too narrow in scope.

Concerning exceptions it must be added however that this issue has been utterly complicated by the entering into force of the more recent Directive on Copyright in the Information Society.

Because of the interactions between both Directives it seems absolutely advisable to combine the present Database revision exercise with the more general evaluation that the Commission is anyway obliged to produce for the Directive on Copyright in the Information Society.

2 The reflexion on the extension of protection in Japan

There is no *sui generis* right protection in Japan. Nevertheless, we can observe some prudent moves towards increased protection for the database industry.

It is not that the database producers would urgently need the recognition of an own right. Article 15 (1) of the Copyright Law of Japan already puts the employer in the comfortable position of being the owner of all the rights on an original database created by his employees. As a consequence, and in contrast to the situation in many European countries, the call by the database industry for the recognition of an own exclusive right has under this respect been less urgent than in the E.C. Nevertheless, the fact remains that compared with the regime of a *sui generis* right there still is a protection deficit for the expensive but non-creative database.
This is why Japanese database producers want something more than copyright. What this something should be remains a matter for discussion.

There is first of all the option to interpret existing statute law in an extensive way so as to protect databases not constituting intellectual creations. This solution requires judges to interpret existing Acts in a dynamic way.

We can indeed find some case law on the basis of Article 709 in the Civil Code. Nevertheless it must be stressed that on the basis of such case law, the only relief that can be claimed is damages. No injunction can be granted.

Another existing legal text that could be used for the protection of non-creative

databases would seem to be the Act on the Repression of Unfair Competition. The predominant view still seems to be that databases do not fall under this text and there is no case law that would support the opposite view.

Another option for enhancing the protection of databases would be the introduction of new specific legislation. The first possibility here would be to amend Article 2 of the Act on the Repression of Unfair Competition by adding to the list of specified unfair practices a new item which would make it illegal to copy or to commercialise a database that shows a substantial investment. While discussions are still going on as regards this possibility, there is still no actual text proposal on the table.

Amendment of the legislation on unfair competition would normally only provide protection against other competitors and not provide for a full exclusive right, enforceable against all sorts of users. This last result could only be achieved if a consensus were to be found for the introduction of a new industrial property right. This would be the second possibility for new legislative action, which would imply that the example of the European countries consisting in the adoption of a *sui generis* regime would have to be followed. The dominant opinion seems however to be that, at the present stage, it would be too early to take such a step and that it would be better to wait for the outcome of the ongoing revision exercise of the European Directive.

VI Conclusion

There is evidently a whole range of solutions that must make it possible to strike a fair balance between right-holders and users of databases. If Japan decides to better protect non-creative databases and if Europe contains its *sui generis* right within reasonable limits, not monopolising information, we could find common ground where the industrial property right protection of the producer of a database will appear as a useful complement to the more classic copyright protection. This would also make it possible to break the stalemate in international discussions in order to achieve the indispensable consensus in an area that is not only in the interest of Japan and Europe, but also concerns the world-wide information society.