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THE FUTURE OF DATABASE PROTECTION IN U.S. COPYRIGHT LAW

In the recent British Horseracing Board case, the English High Court signaled a return to the "sweat of the brow" standard of copyright protection. Although recent attempts have been made in the United States to protect databases under this standard, this iBrief argues that the information economy is wise to continuing protecting this data through trade secret, State misappropriation and contract law until legislation is passed.

Introduction

¶ 1 In the recent *British Horseracing Board* (BHB) case, the High Court of the United Kingdom extended intellectual property rights over information about horses and jockeys listed in databases. The American legal system is now faced with a challenge to one of the foundations of its copyright law - protection based upon originality and not effort or "sweat of the brow." As many experts have stated, the *BHB* decision will have a profound impact on copyright laws around the world, including the United States. As the Internet presents a new area where one may easily copy information maintained at a great cost to the owner of a database, it seems there is a situation that requires a new way of protecting database material through copyright laws. The *BHB* decision and the current debate over enacting similar American database laws suggest that database copyright protection, based on the "sweat of the brow" theory, may in fact be the best regime for protecting intellectual property rights and may be established in the United States in the future.

The BHB Case

¶ 2 William Hill is an established English company offering betting services. Through the company's services, a client may place sports bets at one of William Hill's 1,500 licensed betting offices in the UK, via telephone, or via the company's site on the Internet. William Hill's prestige and longevity in sports bookmaking has brought impressive results, as it is the largest telephone-based sports betting organization in the world. William Hill's Internet site, which allows clients to bet online, has quickly become one of the company's most lucrative assets.¹

¶ 3 On February 9, 2001, the High Court settled a case dealing with William Hill's use of information listed in the databases of the British Horseracing Board (BHB).² William Hill had published information about horses, jockeys and race lists for upcoming races on its website without BHB's consent.³ In the High Court's decision, Justice Laddie based the court's ruling on the 1997 Copyright and Rights in Database Regulation in a novel way.⁴ The database legislation protects the rights of owners if a substantial portion of the database is copied.⁵ The Court held that William Hill had infringed on BHB's copyrighted material protected by the Database legislation, based on the importance of the material and not on the specific amount of the copied information.⁶ In addition, Justice Laddie stated that William Hill's publication of the material translated into "re-utilization" according to the database regulations even though the information was available in other sources.⁷

¶ 4 Reactions to the High Court's decisions have been mixed. On BHB's website, the organization's president states that the ruling allows BHB to protect its efforts in compiling databases and motivates BHB to organize more databases and negotiate licenses to bookmakers and other betting services.⁸ Naturally, a representative of William Hill stated that this decision would only create a monopoly for BHB over this information. Accordingly, William Hill appealed to the Office of Fair Trading to defend its right to use public information listed in databases.⁹ However, both sides of this debate agree that this decision has deep implications for protection of information listed in databases. Furthermore, as the High Court has decided to extend copyright protection to databases, it is likely that companies will re-evaluate their decisions regarding the storing and protection of information.

The History of Database Protection in the U.S.

¶ 5 The National Commission on New Technological Uses of Copyrighted Works (CONTU) submitted a report in 1978, which states that computer databases fall within the protection of copyright as compilations. The House Report concluded that the term 'literary work' includes computer databases. But under what justification is a computer database copyrightable and what portions can and cannot receive protection?

¶ 6 In 1991, the Supreme Court addressed this question in *Feist Publications v. Rural Telephone Co.*¹⁰ Feist is a publishing company specializing in area-wide telephone directories, and Rural is a public utility company that provides telephone service to Northwest Kansas. Feist had almost 50,000 white page listings in fifteen counties, while Rural had fewer than 8,000. The white pages listed the names, phone numbers, and towns of residence of all of the residents in a

particular area alphabetically by last name. The two companies competed vigorously for yellow page advertisements. Feist copied Rural's collection of white page listings in order to compile its own. The district court granted summary judgment to Rural, relying on the 'sweat of the brow' doctrine, which justified protection because of the labor involved in collecting and arranging the facts.

¶ 7 The Supreme Court rejected this doctrine because, with the Copyright Act of 1976, Congress made it clear that originality was a requirement for copyright protection.¹¹ Section 102(b) also stresses the need for originality by identifying which elements of a work are not copyrightable: "any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work."¹²

¶ 8 Under Section 103, facts are not copyrightable, but their selection and arrangement may be.¹³ The rationale for this statute is that it encourages others to build freely upon the ideas and information conveyed by a work--a principle known as idea/expression or fact/expression dichotomy, which applies to all works of authorship.¹⁴ However, the Court held that Rural's selection and arrangement of facts was 'entirely obvious,' as they were compiled in a way that white pages are typically organized.¹⁵ The compilation therefore lacked the minimum standard of creativity. In its opinion, the Court noted that the Copyright Clause of the Constitution was intended to reward originality and not effort.¹⁶

¶ 9 *Feist* helps to define what is not protectable - but what about protectable compilations? *CCC Information Services v. Maclean Hunter Market Reports* provided an example of a computer database with protectable elements.¹⁷ The publisher of a compilation of projections of used car valuations brought action for copyright infringement against a larger publisher who copied substantial portions of the work into a computer database of used car valuations.¹⁸ Since 1988, CCC had been loading major portions of the Red Book, published by Maclean, onto its computer network, and republishing the information in several forms to its customers.¹⁹ Many Red Book customers canceled their subscriptions, choosing instead to subscribe to CCC's services.²⁰

¶ 10 The Second Circuit held that Maclean had originality in their works protectable by copyright.²¹ The court found that the valuation figures were not simply preexisting facts, but instead were Maclean's editors' predictions, based on various sources of information and their professional judgment of expected values for vehicles for the upcoming six weeks in a particular

region.²² Because the valuations are original creations, their logical arrangement, fitting for the needs of the market, does not negate their originality.²³

BHB's Impact on U.S. Copyright Law

¶ 11 The EU's 1996 Database Directive, the United Kingdom's 1997 Copyright and Rights in Databases Regulations and the proposed database legislation currently under debate in the United States all reflect an endorsement of the "sweat of the brow" theory, which was specifically overruled by the U.S. Supreme Court in *Feist*.²⁴ In the information age, collections of information related to news, stock market activity, travel, health, Internet usage patterns, and customer lists have become valuable commodities. Under *Feist*, the information contained in such databases is strictly factual information and therefore not subject to copyright protection. The impact of reinstating "sweat of the brow" could have far reaching consequences in this information age where databases are readily accessible via the Internet.

¶ 12 The Court made it clear in *Feist* that the Copyright Clause does not protect a group of facts merely based on the amount of resources one invests in creating the database or compilation. This is consistent with the notion that factual information is something that should be left in the public domain. Proponents of database legislation argue that business models emerging in the information age need "sweat of the brow" protection. Collections of information, especially those readily accessible via the Internet, related to news, stock market activity, travel, health, Internet usage patterns, and customer lists have become valuable commodities.²⁵ While companies invest substantial resources in gathering and maintaining such databases, the Internet allows the cost of copying and disseminating such information to decrease rapidly. As the amount of free riders increases, incentive to invest resources in such databases will decrease if creators do not reap enough market return, through increased competitors and less licenses or subscriber fees. However, Professor James Boyle points out that content industries have yet to show significant financial losses from such copying of information, and may even benefit from free distribution, advertising and increased market size.²⁶

¶ 13 Opponents of such legislation fear that a return to "sweat of the brow" will eliminate the fair use of factual information and encourage monopolies in information-based commerce. A legislative bypass of *Feist's* holding may result in unconstitutional legislation. By limiting use of factual information normally left to the public domain, this may run afoul of the 1st Amendment.²⁷ While proposed legislation incorporates fair use exceptions for nonprofit

educational and scientific use, opponents still view the protection as overly broad and are concerned about other potential fair uses of the information. It is unclear which "downstream" uses of data will be permitted, such as firms adding value to factual information by combining it with other services or information.²⁸ Such value-added publishers may be hesitant to innovate, fearing potential liability.

¶ 14 There is also much concern that such altering of copyright law will sanction monopolies. For example, eBay, a proponent of database protection, brought a case against Bidder's Edge seeking an injunction from listing eBay's auction prices.²⁹ eBay can only be successful if it has a protected right to this information, such as that proposed by the database legislation. Bidder's Edge counterclaimed that the restriction of this information amounts to a monopolization of the online auction market, in violation of antitrust law. While eBay holds licenses with similar sites, it has attempted to block access to those who have been unwilling to enter into a license. The FTC has spoken against database legislation, expressing concern about a concentration of market power in data providers.³⁰ Both the FTC and the Department of Justice have used compulsory licensing of intellectual property to alleviate anti-competitive concerns in the marketplace.³¹

¶ 15 If the "sweat of the brow" theory is not codified in legislation, companies seeking to protect databases will have to turn to other protections. Trade secret law may also protect databases if the company can show the information was kept secret and provided a business advantage.³² This may be applied to customer lists,³³ but is not likely to offer protection to widely disseminated databases, such as those viewed on the Internet. Those seeking database protection may also turn to state claims of misappropriation. However, in copyright this doctrine has been limited by §301 of the Copyright Act, which has been interpreted to require state law to have an "extra element" of protection to avoid federal preemption.³⁴

¶ 16 The most effective means of database protection may lie in contract theory, through the use of user agreements, privacy agreements, and other contracts. eBay was successful in an FTC claim against Reverseauction.com, protecting its customer database based on a violation of its User Agreement.³⁵ Some courts have recently viewed mass-market licenses more favorably than in the past. In *ProCD v. Zeidenberg*, the Seventh Circuit noted the copyright preemption clause should not affect private contracts and held restrictions on a "shrink-wrap" license for a CD-ROM database were enforceable.³⁶ If this case law holds up, companies gain some measure of protection for their databases by carefully drafting any license, user, or privacy agreements. However, to ensure enforceability of such contracts, especially electronic ones found on the

Internet, legislation such as the model state contract law, The Uniform Computer Information Transactions Act, need to be adopted. Such laws clarify contract formation, assent, and reliance in the electronic medium.³⁷

Conclusion

¶ 17 While it is still unclear whether the Courts will revert to granting copyright protection under a "sweat of the brow" standard, it is certain that the frequency of these cases is on the increase. As unusual compilations of mundane information become more valuable to marketing firms and consumers alike in this information age, what was "original" a decade ago has become essential today. Regardless of the direction the courts and legislature choose, until the decision is codified clearly, the information economy is wise to combine innovation with caution, spending as many resources protecting their creations personally as they spend developing them.

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Footnotes

1. Chuck Greene, *Who is William Hill?*, Gambling Newsletter, Mar. 20, 2000, at <http://www.gamblingnewsletter.com/backissues/gn03302000.htm> (last visited May 16, 2001).

2. http://www.bhb.co.uk/press_release.asp?id=255 (last visited May 16, 2001)

3. Tristram Ricketts, *The British Horseracing Board Wins Landmark*, The British Horseracing Board, Feb. 9, 2001, http://www.bhb.co.uk/press_release.asp?id=255 (last visited May 16, 2001).

4. Jean Eaglesman, *Court Backs Horseracing Board*, Financial Times, Feb. 10, 2001.

5. *Id.*

6. *Id.*

[7.](#) *Supra* note 2.

[8.](#) *Supra* note 3.

[9.](#) Dan Gledhill, *William Hill Takes Racing Database Fight to OFT*, *The Independent*, Feb. 25, 2001.

[10.](#) 499 U.S. 340 (1991).

[11.](#) Copyright Act of 1976, 17 U.S.C. §102(a) (1976), H.R.Rep. No. 94- 1476, p. 51 (1976).

[12.](#) 17 U.S.C. §102(b).

[13.](#) 17 U.S.C. §103

[14.](#) 499 U.S. at 349.

[15.](#) 499 U.S. at 362.

[16.](#) U.S.C.A. Const. Art. 1, §8, cl. 8.

[17.](#) 44 F.3d 61 (2d Cir. 1994)

[18.](#) *Id.* at 63.

[19.](#) *Id.* at 64.

[20.](#) *See id.*

[21.](#) *See id* at 66.

[22.](#) *See id* at 67.

[23.](#) *Id.*

[24.](#) *See supra* note 10.

[25.](#) For example, data mining and customer profiling have increased as Internet technology has increased the ability of companies to collect customer data and track web browsing habits. *See,*

e.g. Federal Trade Commission, Transcript of November 8, 1999 Workshop,
<http://www.ftc.gov/bcp/profiling/index.htm>(last visited May 16, 2001).

26. James Boyle, *Comment & Analysis: Whigs and hackers in cyberspace: Copyright regulations before the European Parliament should be treated as skeptically as they were by the Victorians*, Financial Times, Feb. 12, 2001, at 21.

27. William M. Trenor, DOJ Memo on Constitutionality of H.R. 2652 (Jul. 28, 1998),
<http://www.acm.org/usacm/copyright/dojhr2652memo.html>(last visited May 16, 2001).

28. Kevin Butler, *Databases Are Latest Battleground in the Intellectual Property Debate*, Investor's Business Daily, Jun 19, 2000, at 28.

29. See *eBay, Inc. v. Bidder's Edge, Inc.*, 100 F. Supp. 2d 1058 (N.D. Cal. 2000).

30. Prepared Statement of the Federal Trade Commission Before the Subcommittee of Commerce, concerning H.R. 1858 (July 1, 1999).

31. Jennifer Gray, *Antitrust eBay: Protecting IP or Maintaining a Monopoly?* E-Commerce, Vol. 16, No. 12, at 1.

32. See UNIF. TRADE SECRET ACT §1(4), 14 W.L.A. 438, (1995 & Supp. 2000.)

33. See, e.g., *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993) (affirming summary judgment finding trade secrets in plaintiff's customer database.)

34. See *National Basketball Association v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997).

35. Stipulated Consent Agreement and Final Order, www.ftc.gov/os/2000/01/reverseconsent.htm (last visited May 16, 2001).

36. 86 F.3d 1447, 1454-55 (7th Cir. 1996).

37. Winn, et. al., *Who Owns the Customer? The Emerging Law of Commercial Transactions in Electronic Customer Data*, 56 Bus. Law. 213 (2000).