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CRS Report for Congress

Protecting Noncreative Databases: Bills Before the 108th Congress

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Summary

Copyright law protects works of authorship that exhibit original, creative expression, including creativity in the selection, arrangement, or coordination of both traditional and automated databases. Noncreative databases are not subject to protection against copying under existing copyright law. Database producers seek new legal protection against piracy of collections of information that result from the investment of substantial amounts of money, time, or other resources. The protection they seek would be based on industrious effort rather than on creativity.

This report examines two legislative proposals pending before the 108th Congress. Either H.R. 3261or H.R. 3872, if enacted, would create a misappropriation-style of protection against the copying of all or a substantial part of such collections of information.

Background. The U.S. Copyright Act protects "compilations" which include qualifying databases. A compilation is defined as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship."[1] To be a "work of authorship," the database must exhibit at least a modest amount of original, creative expression on the basis of the selection, organization, or the overall coordination of the data elements. The data elements may themselves be original works of authorship or may be uncopyrightable facts or similar items.

As a consequence of the U.S. Supreme Court decision in *Feist Publications v. Rural Telephone Service Co.*,[2] databases that lack at least a modest amount of original, creative expression are not constitutionally eligible for copyright protection. In *Feist*, the Supreme Court held that "white pages" of standard telephone directories lack the modest degree

[1] 17 U.S.C. § 101.

[2] 499 U.S. 340 (1991).

of creative expression required by the Constitution to sustain a copyright. Prior to *Feist*, many appellate courts had applied a "sweat of the brow" or industrious effort standard to justify copyright protection for fact-based compilations. A related concept, that of unfair competition and misappropriation, was also applied.[3]

In the aftermath of *Feist*, database producers became concerned about the lack of protection for databases that are the result of industrious but noncreative effort. That concern has been exacerbated by post-*Feist* court decisions.[4]

International developments added to the concerns of database producers. The European Union issued a directive mandating a new form of protection for noncreative databases by its member States. Effective January 1, 1998, EU members must protect noncreative collections of information through an "extraction" right. This *sui generis* form of protection is available to non-EU nationals only on the basis of reciprocity (unless the database producer essentially maintains a subsidiary within an EU member State). That is, American database producers will be able to enjoy this new form of protection in Europe only if they establish European subsidiaries, or if the United States reciprocates by providing essentially the same protection for European-origin databases in the United States as the EU States provide in their countries under the new *sui generis* protection for noncreative databases.

Legislative Background. In response to the concerns of the database producers, legislation was introduced in the 105th Congress which would have created a misappropriation-based protection for noncreative databases under the authority of the Commerce Power. The House passed a bill twice. It passed H.R. 2652 as a free-standing bill, and later incorporated closely similar provisions as Title V of H.R. 2281. Although H.R. 2281 was enacted, the proposal concerning noncreative databases was dropped from the bill before final passage.

A similar database proposal was reintroduced in the 106th Congress as H.R. 354, the "Collections of Information Antipiracy Act," but with significant modifications. The three major changes in H.R. 354 in comparison with the database bills of the 105th Congress were: 1) a new exception from protection for "individual use" of the database for teaching, research, or explanation, under a reasonableness standard; 2) a specific exclusion from subject matter coverage in the case of products or services that include

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[3] International News Service v. Associated Press, 248 U.S. 215 (1918)(Where one news service, INS, took stories published by the AP and wired them to INS subscribers, the practice constituted a common-law misappropriation of the latter's property, notwithstanding the general rule that no one owns "the news.")

[4] *See e.g.*, National Basketball Assoc. v. Motorola, Inc., 105 F.3d 841 (2d Cir. 1997)(Misappropriation claim under state law brought by the NBA against Motorola for hand held pagers that provided real-time information about NBA games was preempted by copyright law); Warren Publishing v. Microdos Data Inc. 115 F.3d 1509 (11th Cir)(en banc), *cert. denied,* 522 U.S. 963 (1997)(Warren Publishing's Directory of Cable Systems, the standard reference work in classifying cable systems by the communities served, was not infringed by reproduction of the data in a new format by a competitor); and, Bellsouth Advertising and Publishing Corp. v. Donnelley Information Publishing, 999 F.2d 1436 (11th Cir. 1993)(en banc), *cert. denied,* 510 U.S. 1101(1994)(No copyright infringement where advertising directory was copied to create a database to solicit advertising for a competing directory).

collections of information used to transmit or store, or provide access to, digital online communications; and 3) new language to clarify further that protection for revised databases was limited to a 15-year period.

A related bill, H.R. 1858, the "Consumer and Investor Access to Information Act of 1999," was introduced on May 19, 1999 and referred to the House Commerce Committee. It was similar to H.R. 354 in that it created a Commerce Clause-based right against prohibited duplication and commercial distribution of a noncreative database. It was unlike H.R. 354 in several respects, for example: 1) the bill provided only civil, not criminal penalties against violation; 2) enforcement was vested solely in the Federal Trade Commission (FTC); no private right of action was created; 3) it did not have a fixed 15-year term of protection; and, 4) it applied only to databases created after enactment.

In the 105th and 106th Congresses, arguments in favor of new legal protection against copying noncreative databases were based on three main points: 1) databases have enormous economic importance; appropriate laws are needed to encourage the creation and dissemination of new and updated databases by protecting the investment in their development against unfair, predatory conduct; 2) there is a "gap" in appropriate forms of legal protection in the aftermath of the Supreme Court decision in *Feist Publications v. Rural Telephone Service Company;* and 3) the creation of a new database extraction right within the European Union means that the United States must reciprocate by creating an equivalent form of protection for databases within the United States, in order for U. S. database producers to compete effectively in the lucrative European market.

Opponents of bills asserted: 1) the new protection would have a negative impact on science and basic research; 2) it would contribute to the spiraling costs of access to online databases; and 3) the proposals were anti-competitive and overbroad.[5]

No legislation was introduced in the 107th Congress.

H.R. 3261, 108th Cong., 1st Sess. (2003), the "Database and Collections of Information Misappropriation Act". On September 23, 2003, prior to the bill's introduction, a joint hearing was held before the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property and the House Energy and Commerce Subcommittee on Commerce, Trade, and Consumer Protection to discuss a draft version of the bill. H.R. 3261 was introduced on October 8 and reported favorably with an amendment in the nature of a substitute by the House Subcommittee on Courts, the Internet, and Intellectual Property on Oct. 16, 2003. The full Judiciary Committee approved the bill on January 21, 2004.[6]

Like its predecessors, the bill is premised on the Congress' power to regulate interstate commerce under the Commerce Clause. It creates a new federal right of private action against misappropriation of databases, enforceable through a civil suit by a

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[5] For more background on legislative proposals from the 105th and 106th Congresses, see CRS Rep. 98-902A, *Intellectual Property Protection for Noncreative Databases* by Dorothy Schrader and Robin Jeweler (Updated Sept. 15, 1999). See also *U.S. Copyright Office Report on Legal Protection for Databases* (August 1997) at [http://www.copyright.gov/reports/dbase.html].

[6] H.Rept. 108-421, Part 1, 108th Cong., 2d Sess. (2004).

database owner against an infringer. Many of the factors which constitute misappropriation under the bill are those identified by the U.S. Court of Appeals for the Second Circuit in *National Basketball Assoc. v. Motorola, Inc.*[7] In that case, the basketball league sued the manufacturer of hand-held pagers that provided real-time information about professional basketball games alleging, among other things, copyright infringement and commercial misappropriation under New York law. The Court of Appeals ruled against the NBA. In doing so, it examined the relationship between copyright law and state-law misappropriation actions that survive preemption by the Copyright Act. Citing the Supreme Court's decision in *International News Service v. Associated Press*,[8] the court identified five factors supporting a "hot news" misappropriation claim:

> We hold that the surviving "hot-news" [*International News Service*]-like claim is limited to cases where: (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 plaintiffs; 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.[9]

These criteria, with the exception of (iv) above, are the basis for those set forth in H.R. 3261.

Prohibited Acts. Specifically, the bill prohibits making available to others, without authorization, a substantial part of information in a database maintained by another person, if

- the database was generated through a substantial expenditure of financial resources or time;
- the unauthorized appropriation of the database and its dissemination in commerce occurs in a time-sensitive manner and inflicts injury; and
- the ability of other parties to "free ride on the efforts of the plaintiff" would reduce the owner's incentive to produce the database and substantially threaten its quality or existence.[10]

Permitted Acts. Among the activities expressly permitted by the bill are:

- independent gathering of information obtained by means other than extraction from a protected database and making the information available in commerce;
- making available in commerce a substantial part of a database by a nonprofit scientific or research institution for scientific or research

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[7] 105 F.3d 841 (2d Cir. 1997).

[8] 248 U.S. 215 (1918)

[9] 105 F.3d at 845.

[10] H.R. 3261, § 3.

purposes, if a court determines that making the information available is "reasonable under the circumstances";
- hyperlinking to a database; and
- making the information available for news reporting, including news and sports gathering, dissemination and comment, unless the information is time sensitive and has been gathered and made available by the news reporting entity as part of a consistent pattern for the purpose of direct competition.[11]

Exclusions from Coverage. The newly created protection against misappropriation would not extend to databases gathered and maintained by a federal, state, or local employees pursuant to their jobs, or to those required to be maintained pursuant to federal law or regulation. Also excluded from protection are computer programs used in the manufacture, production, operation or maintenance of a database.[12]

Remedies. The bill creates a civil right of action for persons injured by misappropriations in a U.S. district court. Among the remedies available are temporary and/or permanent injunctions; actual and punitive damages; impoundment and/or destruction of all copies of a database found to be in violation of the law; and costs and attorneys fees.[13]

Accredited nonprofit post-secondary educational institutions and nonprofit research laboratories have qualified immunity from liability. They are excluded from liability *unless* they make available "substantially all of a database in direct commercial competition" with a protected database.[14] And Internet service providers are not liable for making available information that is provided by another content provider.[15]

Injunctions and impoundment are not available remedies in suits against the U.S. Government. Relief is available against state governmental entities only to the extent permitted by applicable law governing sovereign immunity.

The Federal Trade Commission, the U.S. Patent and Trademark Office, and the U.S. Copyright Office have oversight responsibilities to monitor implementation of the law and to identify instances in which judicial interpretation materially or adversely impacts the laws and policies within their purview. They will report their findings to Congress.

Effective Date. The Act would apply prospectively to existing databases. Acts extracting a quantitatively substantial part of the information in a database that were legal and occurred prior to the effective date are exempt from liability.

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[11] *Id.* § 4.

[12] Protection under the act may adhere to a database of a federal, state, or local educational institution maintained in the course of engaging in education, research or scholarship or by a federal employee acting outside the scope of employment. *Id.* § 5(a),

[13] *Id.* § 7.

[14] *Id.* § 9.

[15] *Id.* § 7(h).

H.R. 3872, 108th Cong., 2d Sess. (2004) the "Consumer Access to Information Act of 2004". Revisiting the disagreement from earlier Congresses over the most desirable approach to database protection, the House Committee on Energy and Commerce has declined to endorse H.R. 3261, citing concerns about the bill's constitutionality and its potential chilling effect on the use of information.[16] The Committee reported H.R. 3872 on March 16, 2004.[17]

The "Consumer Access to Information Act" offers "a more limited protection to databases while preserving consumer access to and use of factual information."[18] Like H.R. 3261, the bill is based on the principles of misappropriation and unfair competition established in the *International News Service* and *N.B.A. v. Motorola* cases. H.R. 3872 incorporates all the *Motorola* criteria, including the requirement, absent from H.R. 3261, that in order to be a misappropriation, the taking and use must be effected by one in direct competition with the infringed database.[19] Interactive computer service providers are exempt from liability for making available information provided by others.[20]

The major distinction between the bills is the remedy provided. H.R. 3872 does not create a private right of action. It directs the FTC to treat misappropriation of databases as a violation of its rules defining unfair or deceptive practices.[21]

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[16] H.Rept. 108-421, Part 2, 108th Cong., 2d Sess. (2004) reporting H.R. 3261 unfavorably with a recommendation that it not pass.

[17] H.Rept. 108-437, 108th Cong., 2d Sess. (2004).

[18] *Id.* at 3.

[19] H.R. 3872, § 2.

[20] *Id.*. § 3.

[21] *Id.*. § 4.