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Databases *sui generis* right: should we adopt the spin-off theory?

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Introduction

Eight years have passed since the Database Directive was enacted.[1] A relatively abundant body of case law[2] has now emerged but courts remain divided or uncertain over a number of issues. One of them is the most important question of the protection requirement, the substantial investment.[3] In order to protect its database, the database maker must show "that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents" (article 7.1 of the Directive).

In this respect, one crucial question has puzzled the courts - whether so called "spin-off" databases can also benefit from *sui generis* right protection. Spin-off databases are collections of data which are by-products ("spin-offs") of a main or other activity of the producer[4] (such as event schedules, television or radio programmes, train and plane timetables, telephone subscriber data, stock prices, football or horseracing fixtures[5], scientific data resulting from research or experimentation, sports results[6]).

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[1] Directive 96/9/EC of the Council and the Parliament on the legal protection of databases of 11th March 1996, OJ, L 77/20, 27th March 1996.

[2] See the web site maintained by the IVIR http://www.ivir.nl/files/database/index.html

[3] See E. Derclaye, "Databases *sui generis* right: what is a substantial investment? A tentative definition", IIC, forthcoming.

[4] D. Visser, comment on the decision of the Dutch Supreme Court, 22 March 2002 (*NVM v De Telegraaf*), AMI, 2002, p. 102.

[5] See *British Horseracing Board ("BHB") v William Hill* [2001] RPC 612 and the two *Fixtures Marketing* cases discussed below, see n. 41 and 42.

[6] P. B. Hugenholtz, "Program Schedules, Event Data and Telephone Subscriber Listings under the Database Directive - The 'Spin-Off' Doctrine in the Netherlands and elsewhere in Europe" [2003] Paper presented at 11th Annual Conference on International Intellectual Property Law & Policy, Fordham University School of Law, New York, 14-25 April 2003; P. Raue & V. Bensinger, « Implementation of the *sui generis* right in databases pursuant to s. 87 et seq. of the German Copyright

As can readily be seen, this other or main activity is something else than the making of the database: it is programming television programmes, organising an event, discovering stars… The question is: should these database producers nevertheless be able to claim that the investment made in organising the event, attributing a telephone number or a time to the departure of a plane - in short, in performing the main activity - counts towards making the database? Or on the contrary, do the words "obtaining, verifying or presenting" mean that the investment's aim must be to produce the database? In other words, "does the database right merely protect investments that are directly attributable to producing a database (the so-called "spin-off doctrine")"[7]? Several courts, unsure whether the Directive wished to protect such databases, have asked questions to the ECJ.[8]

As can be readily appreciated, the application of the spin-off theory is crucial since it determines the scope of protection. The consequence of adopting the spin-off theory is a lesser protection or in other words a broader public domain. It has been argued that beyond advocating the application of the spin-off theory, if the *sui generis* right could subsist in novel data which cannot be obtained anywhere else, it would unduly restrict freedom of expression and information.[9] After having recalled the origins of the theory, this article will first review how the courts and the literature applied and reacted to the spin-off theory theory. Following this analysis, several types of data will be identified and the paper will determine whether the spin-off doctrine should apply to any of those.

Origins of the spin-off theory

The so-called spin-off theory or doctrine most probably originates from the Netherlands.[10] During the legislative process preceding the implementation of the Directive into Dutch law, members of Parliament asked to the Ministry of Justice whether certain databases could be protected.[11] The questions related to three imagined cases. In all three cases, the government answered that those databases were not protected by the *sui generis* right.[12] The first example was a database constituted by the list of the Dutch restaurants awarded a Michelin star. Since the investment is directed towards granting the stars and not towards collecting the details of the restaurants, such list is not protected by the *sui generis* right. The second example related to a list of newly discovered stars. Again the investment is not directed towards making a list of new stars but at discovering them through a telescope or a journey in space. Finally, television programmes are no more than a spin-off of the activity of scheduling programmes, they are not protected as a database.

Act » [1998] 3 Comms. Law 6, p. 222, citing P. Katzenberger [1997] AfP 434 give yet another example: "a publishing house which uses its published periodicals at the end of the year to publish a CD-ROM database, cannot state that costs accrued for the production of the periodicals were also investment for the production of the database".

[7] Hugenholtz, n. 6 above.

[8] See below n. 41 and 42.

[9] Hugenholtz, n. 6 above.

[10] D. Visser, « The database right and the spin-off theory » [2003] in H. Snijders & S. Weatherill (eds.), *E-commerce law*, Kluwer, p. 105-110, at106; Hugenholtz, n. 6 above, at 2.

[11] Visser, n. 10 above, at 106; Hugenholtz, n. 6 above, at 2.

[12] Memorandum in reply to Parliamentary report of 22 December 1998, Second Chamber of Parliament, TK 26108 no. 6, p. 5.

The case law

It is no surprise that the case law on the spin-off doctrine is mainly found in the Netherlands. But the spin-off theory has also been discussed, directly or indirectly, in cases in the Nordic countries, France and the UK.

The Dutch courts are split on whether by-products should be protected by the *sui generis* right. In several cases, the Dutch courts have validated the spin-off doctrine stating that such databases have not required a substantial investment. Other courts have rejected the spin-off theory holding that databases should be protected regardless of the fact they are by-products of another activity.

In two cases concerning telephone directories made by the former Dutch telecommunications monopoly (KPN), the Dutch courts have rejected the spin-off theory. In *Denda v KPN*, which was decided before the adoption of the Database Act, the Court of Appeal of Arnhem held that the paper version of a telephone guide was the result of a substantial investment.[13] The reason is that the Directive does not make a distinction between the primary and secondary exploitation of databases.[14] The court of First Instance of Almelo confirmed this ruling in a later decision on the merits.[15] There is no distinction between the subscriber data and the telephone directory deriving from it. Thus KPN's directory was the product of substantial investment. In the second case (*KPN v XSO*), the President of the Court of First Instance of the Hague held that KPN's telephone guide which it commercialised on the Internet was protected.[16] In this case XSO was providing users with KPN's directory without referring users to KPN's web site therefore bypassing KPN's ads. For the court, the Dutch Database Act aims at protecting such investment notwithstanding the fact that KPN would have invested in the telephone guide even if such investment would not have been rewarded database protection.[17] Certain costs must always be made not only to present the database so that it can be searched by the public on the internet but also to keep it up to date. The court decided that the database was protected. On the other hand, the Dutch competition authority found there was no substantial investment in the making of KPN's telephone guide on CD.[18]

In a number of cases relating to programming data, news headlines and real estate information, the Dutch competition authority and the Dutch courts have applied the

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[13] Court of Appeal of Arnhem, 15 April 1997, Mediaforum, 1997/5, at B 72; Informatierecht/AMI 1997, p. 218; Computerrecht, 1997, p. 314, comment H. Struik (*Denda v KPN/PTT Telecom*).

[14] Hugenholtz, n. 6 above, at 3; A. Beunen, "Kanttekening bij KPN / XSO", Informatierecht/AMI, 2000/4, p. 58, at 59.

[15] Court of First Instance of Almelo, 6 December 2000, AMI, 2001, p. 69 (*KPN v Denda International and others*).

[16] Pres. Court of First Instance of The Hague, 14 January 2000, Mediaforum, 2000/2, p. 64, comment Hugenholtz; Informatierecht/AMI, 2000/4, p. 71, and comment Beunen, n. 14 above.

[17] S. Gijrath & B. Gorissen, "Applying the database act to on line information services, a trial and error exercise" [2000-01] CW 26.

[18] NMa/OPTA, 14 December 1998 (*KPN v Denda*) cited by W. Grosheide, "Database protection - the European way" [2002] 8 Wash. U. J.L. & Pol'y 39-74, p. 65. It is interesting to note that in two major cases, one German, one French, also involving telephone directories, allusion to the spin-off doctrine was not made (see *Tele-Info CD,* Bundesgerichsthof, 6 May 1999, I ZR 199/96, p. 16 ff. and *France Telecom v MA Editions,* Com. Court of Paris, 18 June 1999, *DIT*, 1999/4, p. 57; D., 2000, Jurisp., p. 105 and comment D. Goldstein; Expertises, 1999, p. 398, comment A. Brüning).

spin-off theory. In *De Telegraaf v NOS*[19], De Telegraaf had copied program listings on which the NOS argued to hold copyright, and *sui generis* right, for publication in its weekly television guide. The Dutch competition authority found that there was no substantial investment in the making of television programmes by the Dutch public and commercial broadcasting organisations.[20] Programmes schedules are by-products of the programme scheduling process. Therefore the broadcasters could not invoke database protection by the *sui generis* right since there was no substantial investment.[21] The case was also in parallel before the civil courts. The Court of Appeal of The Hague, applying the spin-off theory, held that the "broadcasters, whose primary task is to make radio and television programmes, cannot accomplish this task without collecting the data on the programmes and redacting the programme lists" and therefore, "the mere editing/redacting of the programmes does not show a (specific) substantial investment in time, money or otherwise."[22] The Court of Appeal on this point specifically referred to the Ministry of Justice's statement in support of its findings.

In the *Kranten.com* case[23], a number of Dutch newspapers were suing Kranten.com which provided a daily service of newspaper article headings by way of deep links to the newspapers web sites. The newspapers argued that they had database rights in their headlines listed on their web sites and that Kranten.com's deep linking was an infringement of the *sui generis* right in its database. The court held that a list of newspaper article headings on a web site does not represent a substantial investment. The publishers' investment is directed towards the gathering of reports and articles to fill the newspapers. The headlines are invented and do not reflect a qualitative investment. In other words, the court does not expressly adopt the spin-off theory but it can be concluded from the judgement that the selection of articles and the drafting of the list of titles to be placed on the web sites were a side issue of the business, i.e. publishing printed newspapers.[24] The activity did not involve a quantitative investment because the seven persons involved in making the web site of those newspapers were considered numerically negligible compared to the total numbers of persons involved in the production of the printed newspapers.[25]

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[19] NOS is short for "Nederlandse Omroep Stichting". A number of broadcasters were also involved as respondents in the case.

[20] Dutch competition authority ("NMa"), 10 September 1998, Mediaforum, 1998/10, at 304; AMI 1999/1, at 12 (*De Telegraaf v NOS/HMG*). The Dutch competition authority held that the only cost in the making of the database consisted of the keying in of the data in a computer and doubted whether this constituted a substantial investment. See also Grosheide, n. 18 above, p. 64-65.

[21] The Dutch competition authority upheld its decision on 3 October 2001. see http://www.nmanet.nl/nl/

[22] See judgment at para. 6. Court of Appeal of The Hague, 30 January 2001 (*De Telegraaf v NOS*), Mediaforum, 2001, p. 94, comment T. Overdijk; AMI, 2001, p. 73, comment H. Cohen Jehoram. This case was an appeal from a summary judgement of 5 January 1999 by the President of the Court of First Instance of the Hague. The Supreme Court held subsequently that the refusal by NOS to communicate its broadcasting schedules was an abuse of dominant position under the Dutch Competition Act.

[23] Pres. Court of First Instance of Rotterdam, 22 August 2000, Computerrecht 2000, n. 5; Mediaforum, 2000, p. 344; AMI 2000, p. 205, comment Koelman (*National Newspapers v Eureka Internetdiensten V.O.F. and others*); English translation at www.ivir.nl/rechtspraak/kranten.com-english.html

[24] T. Overdijk, Mediaforum, 2000, p. 347, believes that headlines or articles titles are a good example of by-product.

[25] See also Gijrath & Gorissen, n. 17 above, at 27.

The Dutch courts were later confronted with a case involving a web site of real estate information. In *NVM v. De Telegraaf*, the web site "El Cheapo", maintained by De Telegraaf, browsed, among others, NVM's web site which contains 45.000 properties for sale and is continuously updated. El Cheapo's search results did reproduce the whole of the pages with the entire information which appeared on NVM's web site (i.e. the picture of the property, the price, the address and type of property as well as the web site it is originating from, i.e. NVM's web site) and were copied and presented under El Cheapo's frame. NVM sued De Telegraaf for database right infringement. De Telegraaf disputed that the list of real estates properties for sale represented a substantial investment. The court of first instance regarded the collection and daily maintenance of the data as a quantitative substantial investment.[26] NVM had invested 24 million euros in software to update the contents of the database directly. El Cheapo was therefore infringing. The Court of Appeal of the Hague disagreed.[27] It referred to the Ministry of Justice's statement that there is no substantial investment if the data are a mere spin-off of the main activities of the producer. In this case NVM had previously set up the database for use in a network and the placing of their database online was considered a spin-off of those previous investments. For the Court, the investment in hardware was made for the database as exiting in the internal network and did not count towards the web version of the database. Subsequently, the Supreme Court (Hoge Raad) overruled the Court of Appeal's decision and held that the spin-off theory did not apply in that case.[28] The Supreme Court stated that the spin-off theory is irrelevant in this connection ("in dit verband"). It held that "neither the Directive nor the text of art.1, a, of the Database Act offers a starting point for the opinion that in case a database is used for several aims, for each of these aims a substantial investment specifically must be shown."[29] As Visser notes, in this case, we are not in a "spin-off situation".[30] In addition, the Supreme Court suggests that adopting the spin-off theory would lead to considerable difficulties to set boundaries.[31] How can a distinction be made between the substantial investment in creating the data on the one hand and in collecting, verifying and presenting it on the other?

Some have argued that the Supreme Court has definitely rejected the spin-off theory.[32] However others disagree: the Supreme Court just held that the theory did not apply in this case but has not rejected its validity.[33] Thus for them, the Supreme Court has not rejected the possibility that the required investment might be lacking if no substantial investment directed at the compilation of any database has taken place and

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[26] President of the court of first instance of The Hague, 12 September 2000, available on http://www.rechtspraak.nl/uitspraak/frameset.asp?ui_id=22305

[27] Court of Appeal The Hague, 21 December 2000, Mediaforum, 2001, p. 87, comment M. van Eechoud. Also available on http://www.ivir.nl/rechtspraak/telegraafnvmII.html

[28] Supreme Court, 22 March 2002, available on http://www.rechtspraak.nl/uitspraak/frameset.asp?ui_id=32352. Comments by J. Krikke [2002] EIPR, N148-149; C. Gielen [2002] EIPR, N131-132; H. Speyart, Intellectuele eigendom & reclamerecht, 2002, p. 153; Visser, n. 4 above.

[29] Judgement at 3.4.1.

[30] D. Visser, n. 4 above, p. 102. This is why in the opinion of this author (as well as the Advocate general and the Supreme court themselves) it was not necessary to ask a preliminary ruling to the ECJ. For this author, a "real" spin-off situation would be results of a sportive competition (list of the ranking and the timing of the sportsmen).

[31] Judgement at 3.4.1.

[32] Krikke; Gielen, n. 28 above.

[33] Visser, n. 10 above, at 109; Hugenholtz n. 6 above, at 3; Speyart, n. 28 above.

a database is just a spin-off of another activity. This may for instance, be the case with programming data.

A later case has also dismissed the spin-off argument. In *Wegener v Hunter Select*[34], Wegener, who published job ads, sued Hunter Select for having extracted and reutilised its ads. It lost in first instance. In appeal, the Court of Appeal of Leeuwarden held that Wegener had made a substantial investment in the presentation of the ads in the printed edition. The court was very short on the possible application of the spin-off doctrine. It rejected the spin-off argument developed by Hunter Select that there is no substantial investment because the production of a database of job ads is not the primary aim of the newspaper. Since there was substantial investment in the presentation of the ads, the court did not have to look whether there was a substantial investment in the obtaining of the data.

What do other national courts think? In France, arguments close to the spin-off theory have been invoked by defendants. But the courts have not applied the theory; they have not even uttered the word. Rather they seem to implicitly reject it. In *Groupe Miller Freeman v SA Tigest Communication*[35], the defendant Tigest claimed that Groupe Miller Freeman's databases (trade fairs catalogues) were by-products of the activity of organising fairs and could not therefore be protected by the *sui generis* right. The court held that even if the databases were by-products of the activity of organising fairs by the claimant, these data were still subject to a particular treatment by computer in order to be made available to the public and the investment corresponding to this treatment had to be taken into consideration. The court held that the constitution, verification and updating of the contents of the database of traders is a substantial investment in view of the number of traders for each fair and the need to update it each year. The claimant's database was therefore protected by the *sui generis* right. This case seems to acknowledge that although there cannot be an investment in collection or verification for spin-off databases, there can nevertheless be a substantial investment in presenting the data.

In appeal, the claimants argued that the databases were the result of commercial efforts to promote the fairs, the establishment of communication plans, the advertising made to provoke the participation of traders and that those efforts gave their content to the database. They justified the investments in personnel and computer services exclusively devoted to the databases by producing the employment contracts and the invoices of services from persons working full time on the constitution and verification of those bases. They invoked that the databases are updated and verified constantly, through regular marketing phone calls. They also argued that they had made efforts in presenting and editing the catalogues. Even if the collection and classification of the data is used to make the fair succeed, they imply necessarily an investment, human as well as material to constitute and verify the database, which is

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[34] President of the Court of First Instance of Groningen, 18 July 2002, available on http://www.rechtspraak.nl/uitspraak/frameset.asp?ui_id=36590; Court of Appeal of Leeuwarden, 27 November 2002, available on http://www.rechtspraak.nl/uitspraak/frameset.asp?ui_id=41627

[35] Court of First Instance of Paris, 22 June 1999, PIBD, 1999, n. 686, III-494 (*Groupe Miller Freeman v Tigest*); Court of Appeals of Paris, 12 September 2001, Legipresse, n. 187, dec. 2001, p. 215-225; D., 2001, n. 35, p. 2895; JCP, n. 1, 2002, p. 25-31, comment Pollaud-Dullian; PIBD, 2002, n. 740, III-198-201 (*Tigest v Reed Expositions France et Salons Français et Internationaux SAFI*), confirming the judgement in full.

substantial. Commentators have regretted that that the Court of Appeal accepted that the investments in promoting the fairs, not in constituting the database, should be taken into consideration. The *sui generis* right should not subsist due to investments which are not directly devoted to the constitution of the base.[36] Those commentators are therefore in favour of the spin-off doctrine without stating it expressly.

The Court of Appeal of Paris expressed the same opinion in a subsequent case involving the same claimant and another defendant.[37] The computerised treatment, the constant verification and updating of the information which result from a daily intervention of persons who are occupied full time with the quality of files, necessitate financial, material and human investments which confer their substance to the databases. The investments were held substantial and the databases (catalogues) protected. The commercial efforts to promote the fairs, the establishment of communication plans, the advertisement made to provoke the participation of the traders, even if those are linked to the activity of organising fairs, participate directly and narrowly to the conception of the databases; it did not matter that their exploitation is undertaken in parallel with the fairs. This seems close to the implicit statement of the Hoge Raad in *NVM v De Telegraaf* that it is difficult to make a distinction between investments in creating and investments in presenting the data. A commentator remarked that this conclusion is understandable because without the commercial effort of promoting the fairs, the database would not exist at all; in other words, there would be no data in it.[38] The derived and accessory character of the activity is not antagonistic with the existence of a substantial investment as long as it is clearly identified and distinguished.[39]

The courts of three Member States (the UK, Sweden and Finland[40]) have been confronted with the question of the application of the spin-off theory and have decided to stay proceedings and ask preliminary rulings to the ECJ. The answer which will be given by the ECJ will determine the validity or invalidity of the theory.

The Swedish reference involves Fixtures Marketing Ltd against AB Svenska Spel. Fixtures Marketing sued Svenska Spel for having used English football fixtures lists for gambling purposes. Both the court of first instance (Gotland City Court) and the Svea court of appeal found there was no infringement on the basis that there had not been an extraction. The court of first instance recognised there was a substantial investment in making the fixtures lists and seemed to reject the spin-off doctrine by stating that it was impossible to draw a line between a preparatory work and the

[36] L. Tellier-Loniewski, Legipresse, n. 187, December 2001, p. 222-225; F. Pollaud-Dulian, JCP, n. 1, 2 January 2002, p. 27 ff.

[37] CA Paris, 20 March 2002, PIBD, n. 746, 2002, p. III-331-334 (*Construct Data Verlag v Reed Expositions France*). Groupe Miller Freeman had become Reed Expositions France in the meantime.

[38] N. Mallet-Poujol, "Protection des bases de données" [2003] Ed. Juris-classeur, n.8, Fasc. 6080, p. 13.

[39] Ibid.

[40] The Court of First Instance of Athens also asked questions to the ECJ as regards the interpretation of article 7 of the Directive, the first and second being only implicitly targeted at determining whether the spin-off theory applies. The first question asks what the concept of database and the scope of Directive 96/9 EC and in particular of Article 7, are. The second asks whether the lists of football fixtures enjoy protection as databases over which there is a *sui generis* right in favour of the maker and with what consequences (Reference for a preliminary ruling by the Monomeles Protodikio Athinon by order of that Court of 11 July 2002 in the case of Fixtures Marketing Limited against Organismos Prognostikon Agonon Podosphairou AE, Case C-444/02, OJ, C 031, 8 February 2003, p. 12).

compilation of the database itself. The case came to the Supreme Court which referred questions to the ECJ.[41] The first question concerns the spin-off theory: "In assessing whether a database is the result of a "substantial investment" within the meaning of Article 7(1) of […] the database directive can the maker of a database be credited with an investment primarily intended to create something which is independent of the database and which thus does not merely concern the "obtaining, verification or presentation" of the contents of the database? If so, does it make any difference if the investment or part of it nevertheless constitutes a prerequisite for the database?" Svenska Spel contends that Fixtures Marketing's investment is primarily concerned with the drawing up of the fixture lists for the English and Scottish football leagues and not with the databases where the data are stored. Fixtures Marketing, for its part, argues that it is not possible to distinguish the work for the purpose of planning the game and the purpose of drawing up the fixture lists. This question posed by the Swedish Supreme Court addresses directly the problem faced in the *Construct Data Verlag* case. Without the commercial effort of promoting the fairs, the database would not exist at all. Therefore should the investment in the primary activity somewhat count towards the constitution of the database?

The second question also relates to the question of substantial investment. "Does a database enjoy protection under the database directive only in respect of activities covered by the objective of the database maker in creating the database?" Svenska Spel contends that Fixture Marketing's creation of the database is not intended to facilitate football pools and other gaming activities but that such activities are a by-product of the purpose of the investment. Fixtures Marketing, on the other hand, argues that the purpose of the investment is irrelevant and disputes that the possibility of exploiting the database for football pools constitutes a by-product of the actual purpose of the investment in the database.

In the *Fixtures Marketing Ltd v OY Veikkaus Ab* case, similarly to the Swedish case, the Finnish betting agency Veikkaus used information contained in fixtures listings of English Premier League football matches for its betting activities. Fixtures Marketing claimed that its list was the result of substantial investment and that Veikkaus had infringed its database right on it. Veikkaus counter-claimed that the list was a spin-off of activities unprotected by the *sui generis* right. The court of first instance of Vantaa stayed the proceedings in order to ask questions in this regard to the ECJ.[42] The relevant question is phrased as follows: "may the requirements in art. 7(1) of the Directive for a link between the investment and the making of the database be interpreted in the sense that the "obtaining" referred to in art. 7(1) and the investment directed at it refers, in the present case, to investment which is directed at the determination of the dates of the matches and the match pairings themselves and, when the criterion for granting protection are (sic) appraised, and does the drawing up of the fixture list include investment which is not relevant [i.e. which cannot be taken into account when the criteria for protection under the *sui generis* right are being

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[41] Reference for a preliminary ruling by the Högsta Domstolen by order of that Court of 10 September 2002 in the case of Fixtures Marketing Limited against AB Svenska Spel, Case C-338/02, OJ C 274, 09/11/2002, p. 23-24.

[42] Court of First Instance of Vantaa, 1 February 2002, case 99/4899 unofficial English translation at http://www.ivir.nl/files/database/vantaanKO.010202.ECJpäätös.käännös.doc; Reference for a preliminary ruling by the Vantaan Käräjäoikeus by order of that Court of 1 February 2002 in the case of Fixtures Marketing Ltd against Oy Veikkaus Ab, Case C-46/02, OJ C 109, 04/05/2002, p. 27-28.

assessed]?”[43] This question in substance asks whether the word “obtaining” also includes the pure creation of data.

This question was answered negatively in the *British Horseracing Board v William Hill* case.[44] The court held that investments in creating data, i.e. generating data in order to organise an event (e.g. a horse race) is not protected by database right.[45] In the opinion of the court, this is confirmed by article 7.4. The judge nonetheless held that the database was protected. This was because a lot of investment went at least into gathering (and also presumably in verifying[46] and presenting) the data. Nonetheless the judge noted that “in practice where one person both creates the underlying data and gathers it together, as BHB does, it may be difficult to draw a sharp line between the two activities”.[47] In its reference for a preliminary ruling[48], the Court of Appeal of England and Wales, like the Finnish court, asks what is meant by “obtaining” in article 7(1) of the Directive.

In conclusion, with respect to the Finnish, Swedish and British references, the ECJ will have to answer whether the cost of programming an event is to be taken into account as relevant investment or in other words, whether “obtaining” data includes creating data.

The doctrine

A great number of commentators – mainly Dutch[49], and this is hardly a surprise in view of the origins of the theory - are in favour of the application of the spin-off doctrine.[50] Every human activity produces information on the side. Does that mean that there should be a database right on it? As one commentator puts it[51]: should Parliament acquire database right in the results of its daily voting? Football clubs in

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[43] See http://www.patent.gov.uk/about/ippd/ecj/2002/c4602.htm
[44] See n. 5 above.
[45] Paras. 33 and 34 of the judgment: “as one would expect, effort put into creating the actual data which is subsequently collected together in the database is irrelevant. (…) For this reason, the costs and effort involved in BHB fixing the date of a racing fixture does not count towards the relevant investment to which database right is directed.”
[46] In para. 8, the judge holds that the BHB database needs considerable checking of data which is obtained from a number of sources. It cost four million pounds per annum to obtain the data, verify and present it. In addition, the maintenance of the database involved 80 employees and extensive computer hardware and software (para. 6 of the judgment).
[47] Para. 34 of the judgment.
[48] Reference for a preliminary ruling by the Court of Appeal (England and Wales) (Civil Division), by order of that court dated of 24 May 2002 in the case of 1) the British Horseracing Board Limited 2) The jockey Club and 3) Weatherbys Group Limited against William Hill Limited, case C-203/02, OJ C 180/14, 27/07/2002.
[49] See Hugenholtz n. 6 above, at 4. *Pro*: Struik n. 13 above, Overdijk n. 22 above, Van Eechoud, n. 27 above, Visser n.10, above. See also Raue and Bensinger, n. 6 above, p. 222, citing Katzenberger, AfP 1997, p. 434. *Contra*: Speyart, n. 28 above. Hugenholtz, n. 6 above notes that H. Cohen Jehoram’s position (n. 22 above) is unclear while Visser, n. 4 above, at 102, believes that Cohen Jehoram is of opinion that the spin-off argument finds no basis in any provision of the Directive.
[50] The Dutch government has restated its support for the doctrine, see its submission to the ECJ in the *Fixtures v Veikkaus* case: Written comments by the Government of the Netherlands, 26 June 2002, submitted according to Article 20(2) of the Protocol regarding the Statute of the Court of Justice of the EC, Case C-46/02 (*Fixtures Marketing Ltd. v. Oy Veikkaus Ab*).
[51] P.B. Hugenholtz, « The database right: lessons from Europe » [2002] TIPLO meeting, Middle Temple, London, 25 April 2002, on file with the author.

their football scores? A cricket player in his batting average? The stock exchange in its stock market prices? An astronomer in the coordinates of newly discovered stars?

Several arguments in favour of the spin-off doctrine can be put forward.[52] A first argument derives from the rationale of the Directive. The Directive's aim or rationale is to promote investment in databases, encourage the production and dissemination of databases.[53] The *sui generis* right is a right based on utilitarian reasoning. Thus there is no reason to protect databases deriving quasi-automatically from other activities. A second argument is that there must be a direct link between the investment and the resulting database. "For example it would be incorrect to impute the entire annual budget of the Reed Elsevier consortium to the costs of running its Lexis-Nexis database. The costs must be directly attributable to the database to qualify as relevant "investment"."[54] A third argument is based on competition law. The costs incurred in performing the primary activity should be recouped with the same activity. Otherwise consumers would pay twice for the same data.[55] However, the same believe that "undertakings should be free to cross-finance their various activities by using the profits made by selling the "spin-off" to lower the price of its [sic] primary service".[56] The fourth argument is based on the wording of the Directive: the investment must be in obtaining, verifying or presenting the data. Obtaining means gathering, collecting the data and not inventing or creating the data from scratch.[57] Obtaining an object presupposes the prior existence of this object.[58] The fact that the Directive does not refer to creation or invention of data confirms a restrictive reading of the term "obtaining". Recital 19 supposedly also confirms that investment in generating database contents is not to be taken into account.[59]

There are three main arguments against the spin-off theory. First, it is difficult to distinguish between creating and obtaining data. Many courts have noted this difficulty and generally rejected the application of the theory for this reason.[60] For instance, is discovering a new star, planet or galaxy creating or obtaining? In addition, the Directive does not make a difference between obtaining and creating elements.[61]

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[52] The following arguments for and against the spin-off theory are based on Hugenholtz, n. 6 above, at 5 ff. See also G. Westkamp, « Protecting databases under US and European law – methodical approaches to the protection of investments between unfair competition and intellectual property concepts » [2003] 34 IIC 772, at 784.

[53] Recitals 10-12. See also Koelman, n. 23, above.

[54] Hugenholtz n. 6 above, at 5 citing T. Overdijk, 2002, Mediaforum, p. 185.

[55] H. Speyart, n. 28 above at 154.

[56] Hugenholtz n. 6 above, citing Speyart, n. 28 above.

[57] H. Struik, n. 13 above, at 323 also agrees with this interpretation; see also G. Schricker (ed.), *Urheberrecht Kommentar*, (1999, 2nd ed.), p. 1336.

[58] Hugenholtz n. 6 above, at 5.

[59] Hugenholtz n. 6 above, at 5. This recital provides: "Whereas, as a rule, the compilation of several recordings of musical performances on a CD does not come within the scope of this Directive, both because, as a compilation, it does not meet the conditions for copyright protection and because it does not represent a substantial enough investment to be eligible under the *sui generis* right". In our view this does not mean clearly that an investment in created data can never qualify. It is only a matter of substantiality. *A contrario* the recital would seem to mean that created data which is the result of a investment which is substantial enough could be protected.

[60] See *BHB v William Hill* (n. 5 above), *NVM v. De Telegraaf* (n. 28 above), *Fixtures Marketing v Svenska Spel* (n. 41 above) and *Construct Data Verlag v Reed Expositions France* (n. 37 above).

[61] "Costs incurred by generating information are analogously to be considered as "obtaining"". See G. Westkamp, "EU Database protection for information uses under an intellectual property scheme: has the time arrived for a flexible assessment of the European database Directive?" [2003] Paper presented

The second argument is constituted by the inclusion in the initial Directive proposal of a compulsory licence provision for sole source database producers.[62] Why did the original proposal include a compulsory licence provision if it is true that created data are not encompassed by the *sui generis* right? This provision was later withdrawn. The reason appears to be that the *Magill* case[63] was considered sufficient to regulate the problem of abuse of dominant position by sole source database makers. This must mean that the withdrawal of the provision does not change the fact that those producers of data are protected by the *sui generis* right. Also the majority of lobbyists for the database Directive were producers of “created” data (e.g. horse racing organisations (e.g. the French PMU whose members organise horse races), stock markets). Why would they have lobbied so hard if they could not be protected? The reason for withdrawing the compulsory licence provision might very well be a result of this strong lobbying by those organisations. The reason can hardly be that there was no risk of abuses of dominant positions because those companies were not protected. Thirdly, one will remember that the *sui generis* right was enacted in reaction to the non-protection by copyright in most Member States of, mainly, telephone directories[64] (which are constituted of data deriving from the activity of attributing phone numbers and therefore are *par excellence* the example of a spin-off database). Why create this right if the makers of these directories cannot benefit from it? It would be ironic if the very object that one historically wished to protect would, by the application of the spin-off theory, not enjoy *sui generis* right protection.[65]

Refining the spin-off theory – differentiating between several types of data

But what is really the spin-off doctrine? And do we really need it? Instead of concentrating on this theory which is endorsed by one government and a few courts only, shouldn’t we just interpret the Directive itself to try and find a solution to the problem in question? The answers to these two questions are as follows.

The spin-off doctrine is the doctrine under which there should not be protection by the *sui generis* right for databases which are spin-offs or by-products of another or main activity. The database right should only protect investments that are directly attributable to producing a database. In other words, when someone creates data it must be with the only aim to make a database. The data must not be just the result of another activity. The question on the other hand is and remains in all situations whether there has been a “substantial investment in either the obtaining, verification or presentation of the contents” (art. 7.1 of the Directive). The argument which shall

at the 11th Annual Conference on International Intellectual Property Law & Policy, Fordham University School of Law, New York, 14-25 April 2003, p. 10-11; Westkamp, n. 52 above, p. 784, citing J. Gaster, “The New EU Directive Concerning The Legal Protection Of Databases” [1997] 20 Fordham International Law Journal 1129, at 1132.

[62] Hugenholtz n. 6 above, at 5.

[63] European Court of Justice, cases C-241/91 P & C-242/91 P *Radio Telefis Eireann (RTE) & Independent Television Publications Ltd (ITP) v. Commission* [1995] E.C.R. I-743, [1995] 4 C.M.L.R. 718, [1995] 1 C.E.C. 400.

[64] Mirrored by the American case *Feist Publications v Rural Telephone Service Co.,* 499 U.S. 340; 111 S Ct 1282 (1991).

[65] See for the same idea, Speyart, n. 28 above.

be developed hereunder is that if the Directive is correctly construed, the spin-off theory hardly needs to apply.

Almost all the decisions reviewed above concern data which have been *created* by the claimant (telephone directories, newspaper headlines and broadly speaking "event data" (i.e. radio and television programmes, dates and places of football matches and of horse races as well as teams playing or horses running). The Directive states that the substantial investment must be in obtaining, verifying or presenting the data. The crux of the problem is the meaning of the term "obtaining". It is not clear whether the spin-off theory is based on the fact that "obtaining" data means only collecting, gathering it and not creating it. There appears that there is no more refined explanation of the spin-off theory than the one given above (i.e. that databases which are spin-offs or by-products of another main activity should not be protected). Actually it seems that the word "obtaining" is only one argument in favour of the doctrine's application and thus that the interpretation based on the word "obtaining" does not coincide with the underlying rationale for the theory. Rather the theory seems to sweep more broadly in the sense that if the data has been created but there has been a substantial investment in the presentation of it, the theory might nevertheless apply.[66] It is submitted that in order to determine the cases in which the *sui generis* right accrues, a distinction must be made between several types of data and several types of situations in which a substantial investment is made. In light of this differentiation, the application of the second (broad) interpretation of the spin-off doctrine[67] can be re-considered rather than what has been so far generally done, i.e. applying it in the lump and without really explaining why it should apply.[68] The fact that the theory seems to simply apply in the lump (because it appears to broadly mean that a database that is the by-product of a main activity is excluded from protection *per se*) and the related fact that there is no clear explanation to which data the theory applies makes its application uncertain and unworkable. This is why the theory must be refined or else totally abandoned.

Data can be classified in four groups, the last three of which appear "problematic" in view of the Directive's requirements and more generally of intellectual property policy. First, there is pre-existing data, i.e. data collected from pre-existing sources (such as works fallen in the public domain, locations of monuments or restaurants in a town (e.g. compiled in guide books or maps), customer data). Second, there is created or invented data. This is data which does not pre-exist the constitution of the database but is created or invented from scratch by the database maker, thus by man. The third type consists of such created data but which is also presented in a certain way. The fourth type is data which pre-exist in nature but is collected and recorded. It is not arbitrarily invented or created by man but is simply naturally occurring and is recorded as such accurately by man (e.g. meteorological data, astronomical data,

[66] Westkamp, n. 52 above, p. 785.

[67] Hereafter the broad interpretation will be the one discussed unless otherwise stated.

[68] Westkamp, n. 52 above, seems against the broad application of the spin-off doctrine because it does not take into account the substantial investment in verifying the information, i.e. it applies irrespective of those investments. He criticises the spin-off doctrine in the sense that there might be investment in presenting the data even if the data is not collected but generated. While we agree with this argument, we further elaborate it under the several types of data and propose a solution to the several problems created by the several types of data in question.

genomic data). Before examining the consequences of the *nature* of these four types of data, a type of database should be isolated for the *character* of its database maker.

"State" databases

In case a particular database has been made by the state, or in any case financed by the state (be it a national or local entity, and be it parliament, executive or judiciary), the database because of the character of its producer, irrespective of the nature of the data, and notwithstanding that a substantial investment has been made in the obtaining, verification or presentation of the data, should not receive protection. The arguments are close to those underlying the spin-off theory. The investment has been recouped; in other words, one should not protect the same object twice. Since the taxpayer has already paid for the data, s/he should not pay a second time. A basis for this argument is not directly apparent in the Directive but it should nonetheless be adopted. As a matter of fact, the Directive requires a substantial investment. But there is no investment, *a fortiori* substantial investment in "state" databases, simply because the database has been financed by the taxpayers and since no risk has been taken, no investment has thus been made.[69] This is not to say that state data, e.g. parliamentary proceedings, judgements, laws, etc. should not be protected if they are thereafter collected, verified or presented by a private entity and such collection, verification or presentation results in a substantial investment.

A specific case is when a database has been financed partly by the state and partly by a private entity. This should not create insuperable difficulties. A calculation of the respective amounts invested in the venture by both should be made and a conclusion thereafter drawn as to whether there remains a substantial investment by the private entity to qualify the database for protection.

"Collected" data

In this case, a simple application of the Directive means that since the data has been collected and not simply created or invented, it qualifies under the first possible object of investment, i.e. "obtaining". Obtaining equates with collecting, gathering. The data pre-exists the constitution of the database and is there for anyone to copy. The only remaining question is whether there is a substantial investment in this obtaining. What is a substantial investment is a separate question not analysed in detail here.[70] If there is a substantial investment in obtaining this data, the database right accrues. Since the collected data is reproduced, leaving the data in the public domain, there is no risk of monopolisation. Anyone who wishes to make a similar or identical database is free to do so by collecting the same data in the public domain him or herself.

"Created" or "invented" data

In the case of created or invented data (telephone subscriber data, event data, postal numbers attributed to towns and areas, ISBN numbers, etc.), the question is whether

[69] State databases have been expressly excluded from protection in the several bills which have been presented to US Congress in the past (1996 and 1999) including the most recent one, H.R. 3261 introduced in October 2003 and available on http://thomas.loc.gov/ (see section 5(a) of the Bill).
[70] See E. Derclaye, n. 3 above.

protection can accrue if there is only a substantial investment in the creation of the data. Whether the database is protected depends on the interpretation of the word "obtaining" in article 7 of the Directive. If "obtaining" also means, also includes, creating, then the database is protectable. But as has been seen, the word "obtaining" does not equate with nor include the notion of creation.[71] Thus a substantial investment in creating data will not qualify the database for protection and the spin-off theory does not (need to) apply. Since the created data is not protectable, it is reproducible by anyone, there is no legal monopoly on it. Once the whole database made available by its maker to the public, anyone can copy it freely. If this interpretation of the Directive is to be followed – and we think it should -, it means that intuitively, the framers had felt that granting monopolies in created data, by definition sole source data (i.e. data available only at one source), was not recommended in view of the negative consequences absolute monopolies entail.

If the opposite interpretation should nevertheless be adopted, whereby obtaining would include creating, consequently if there is a substantial investment in creating data, the *sui generis* right would accrue. The question would therefore be whether such result should "as a matter of principle" to use the words of a commentator[72], in other words, as a matter of policy, be favoured. This is where the spin-off theory enters into play. Since this data has been created for another purpose, is the result of another activity, even if there is a substantial investment in obtaining (broadly construed) it, the theory advocates that the database should not be protected. The underlying rationale is that the investment has already been recouped thanks to the exploitation of the other activity. Consumers should not be asked to pay twice. However another argument can be made, if the database is a spin-off database, *a fortiori*, there has been no investment in it, all the investment has gone into the main activity. Thus there cannot be in any case a substantial investment in creating the data alone. All the investment by definition goes into financing the main activity. It is thus submitted that the spin-off theory is not needed in this case. However, a contrary argument could be made that without the main activity the database would not exist so that a part of the investment invested in the main activity must be apportioned to the database. In this case, the spin-off theory would apply. In conclusion, following either of those arguments, such databases of created data either will never be protected or should not as a matter of principle enjoy the *sui generis* right.

"Created and presented" data

In the case of data which is created and also presented, three situations can be distinguished. We presuppose that the restrictive meaning of "obtaining" is adopted. In the first, there is no substantial investment in the presentation[73] of the data and hence there is no protection by the *sui generis* right. The question of the application of the spin-off theory does not arise. In the second, there is a substantial investment in the presentation of the created data and hence protection is possible. In the third, it is not possible to determine whether there has been a substantial investment in the

[71] See the arguments made Hugenholtz, n. 6 above. According to an etymological dictionary (http://www.etymonline.com), the word "obtain" comes from the Latin "obtinere" which means "hold, take hold of, acquire" from ob "to" + tenere "to hold".
[72] Hugenholtz, n. 6 above.
[73] By definition since the data is created, its accuracy is not at stake/an issue.

presentation as such, i.e. the presentation has been done at the same time as the creation and therefore both activities are inseparable.

The first situation does not require further discussion. In the second, two cases should be further distinguished. In the first case, the created data can be presented in many different useful ways. Hence since many types of useful presentations are possible, competition is possible as the created data is not protectable. The case is therefore not problematic and the *sui generis* right should be able to accrue to those making the substantial investment in presenting the created data in various ways. In the second case, the presentation is the only one which is user-friendly, useful to the user.[74] Another presentation will not be commercially viable. The *sui generis* right if granted, would protect the arrangement (otherwise unprotected by copyright because unoriginal) and since it cannot be rearranged in another useful way, the underlying data as well. Thus since it is not commercially viable to rearrange the data in another way, there is a monopoly on the presentation and the underlying data.

The second case however creates a monopoly in the data and the question is whether the spin-off doctrine should apply. In the case of an event (concert, horse race, match…), the main activity is to organise the event, the aim is not to create the data as such. The same is valid for radio and television schedules, train and plane timetables as well as for stock prices, telephone subscriber data and Michelin stars. The main activity is not to create data for its own sake but to attribute a price to a stock, a number to a person, or a star to a restaurant. In each case there is a de facto monopoly over the presentation of the created data (if it is the only presentation possible) and the data itself. The *sui generis* right is an intellectual property right and is given in order to promote the development of databases. The rationale for the right is thus the incentive to invest in the making of databases.[75] But these databases are created despite an incentive. They would be created anyway, even if there would not be any protection available. However in this hypothesis, the database maker can prove a substantial investment in the presentation of the data. Should this substantial investment be rewarded in view of the fact that there is only one way of presenting the data usefully? The question is the balance that should be found between the just reward that should be given for presenting the data, reward which is given in order to encourage this presentation, and on the other hand, the public's interest in obtaining this data at the lowest cost possible. These two interests must be weighed before the application of the spin-off theory should be envisaged. Since there has been a substantial investment, it would be unfair to allow the public to get the presented data for free. The public has an interest in having the data presented to it in the most user-friendly way and such efforts should be rewarded. If they were not, the data would not be presented at all and the public would therefore not be able to benefit from it. However since such data is not available elsewhere, the risk of abusing the monopoly automatically granted by the law, is high. In such cases, the law (and preferably the statutory law) should provide for a compulsory or even a statutory licence in order to

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[74] A not dissimilar situation occurred in the *IMS Health* case, decision of the E.C.J. of 29 April 2004, as yet unpublished, available on www.curia.eu.int). In that case however, the court held there was copyright in the structure. Another difference is that data was not created but was freely available (no property rights were claimed on the postal codes and they could thus be used both by the claimant and defendant).

[75] See one of the arguments for the application of the spin-off theory above.

avoid both prohibitive prices and refusals to licence.[76] The public should pay for the information (in other words, the database maker should be rewarded for its presentation efforts) but only a fair and reasonable price. Thus the spin-off theory should not apply since it would have the consequence that the database maker is not protected at all.

In any case, the cases where a database maker can claim a substantial investment in the presentation of the data they created themselves will be rare for three reasons. First, the created data will in many cases already be somewhat organised as a result of the main activity. Second, especially in the case of digitally created data, presenting the data in the most efficient way (e.g. alphabetically, e.g. telephone subscriber data) will not result in a substantial investment.[77] Third, in most cases, the substantial investment in presenting the data will coincide with the originality requirement in copyright law. Indeed, presentation can also be described, among others, as the structure of the information.[78] Thus if the structure is original, it is already protected by copyright and should not be protected by the *sui generis* right even if a substantial investment can be proven in the structure, the presentation, itself. In this case, again as a matter of policy, the same object (effort) should not be protected (rewarded) twice.[79] Thus the cases where the *sui generis* right would accrue are when there is a substantial investment which does not give rise to a copyright protected arrangement, and is more substantial than classifying data alphabetically or in a similar way. These cases, it is submitted, should be rather rare.

In the third situation, it is not possible to determine whether there has been a substantial investment in the presentation as such, i.e. the presentation has been done at the same time as the creation and therefore both activities are inseparable. In other words, it is not possible to apportion a part of the substantial investment to the activity of presentation only. In this case, a substantial investment can be proven but it is not clear which part of it can be apportioned to the presentation of the data. Since the database maker cannot prove *how much* of the investment (i.e. a *substantial* investment) went into the presentation, as a matter of *proof*, s/he should not be benefit from protection. The Directive answers this question clearly in its recital 54: "Whereas the burden of proof that the criteria exist for concluding that a substantial

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[76] The difference between the two is that under a compulsory licence, whereas the user has no right to make use of the work without the prior authorisation of the right owner, there is an obligation of the rights owner to contract with the user (a duty to grant a licence to those users who request one) and the price is determined through negotiations (if they do not succeed, the courts or an administrative authority steps in). Under a statutory licence, the user is free to use the work without authorisation provided he pays a price (generally predetermined by law). See L. Guibault, *Copyright limitations and contracts, An analysis of the contractual overridability of limitations on copyright,* (2002), p. 25. In this case, a statutory licence seems more appropriate because the database owners are absolute monopolists. On the other hand, it could be argued that the information is not so vital to society that such a radical solution should not be advocated and that the less radical solution of a compulsory licence should be preferred.

[77] Com. Court of Paris, 16 February 2001, cited by Caron, Communication Commerce Electronique, July-August 2002, p. 20-22 (*AMC Promotion v CD Publishers Construct Data Verlag GmbH)*. In this case, the effort in presenting data in alphabetical order was not considered a substantial investment.

[78] P. Gaudrat, « Loi de transposition de la directive 96/9 du 11 mars 1996 sur les bases de données: le champ de la protection par le droit *sui generis* » [1999] 52 (1) RTD Com. 97.

[79] See for an application: *Electronic Techniques (Anglia) Ltd v Critchley Components Ltd* [1997] FSR 401. The same judge who in *BHB v William Hill* (n. 5 above) granted protection to BHB's database in the past also ruled that the same creative effort should not give rise to two copyrights.

modification of the contents of a database is to be regarded as a substantial new investment lies with the maker of the database resulting from such investment". Arguably, *a fortiori*, this applies to the initial investment as well. Therefore in those cases, the spin-off theory does not even have to apply: there is no protection simply because the substantial investment is not *proven*. As one commentator remarked, the fact that the data derives from a primary activity does not prevent the existence of a substantial investment as long as it is clearly identified and distinguished.[80] *A contrario,* therefore, if the substantial investment cannot be clearly apportioned, the *sui generis* right should not arise.

"Recorded" data

The third type of data is data actually collected in nature by instruments of measure and is recorded in intelligible form. In this sense, it can also be described as created since it did not exist in intelligible form before. The difference with the other category of created data is that anyone can record it since it pre-exists in nature. It is not data *arbitrarily* created by man's brain. However it is difficult to determine whether the data is actually created or only collected by man. Perhaps it is both collected and created. Despite this quasi insoluble question, in many more cases it will be possible to claim that a substantial investment went into *presenting* this data in an intelligible form. Should the spin-off doctrine apply to those databases? The question is whether there is a primary activity distinct from a secondary activity.

In the case of meteorological, astronomical and genomic data and more generally perhaps any scientific data, is the main activity to collect and present the data? Is the research behind mapping the human genome only aimed at collecting and presenting the information? Are the efforts in discovering new planets, comets, galaxies or stars aimed only at collecting this information (the fact that they exist)? Or on the contrary, is there rather a primary activity (trying to predict weather, to understand the functioning of the universe or of man, animals or plants, to perform experiences), the data which is generated being only a mere by-product of this primary activity?[81] These cases are not clear-cut.

If the main activity is to present the data, the substantial investment is in collecting and presenting the data for itself. Therefore the spin-off doctrine does not apply since there is no other activity with which the collector can recoup its investment. In addition, there is no policy argument which pleads towards an application of the theory. There is no *de facto* monopoly possible (at least in theory) since anyone is free to collect this data. In practice however, this kind of data is costly to collect because the equipment needed is expensive and therefore there will be very few entities which can afford collecting the data. There is therefore a high barrier of entry and the risk of a natural monopoly is high. What then? It is submitted that protection should accrue. If the spin-off theory applied, there would be no incentive to create such important databases. The application of the spin-off theory is thus not justified and could even have the disastrous consequence that some databases would not be created at all for want of the possibility to recoup the huge investment which more than often needs to

[80] See Mallet-Poujol, n. 39 above.
[81] J. Bovenberg, "Should genomics companies set up databases in Europe? The EU Database Protection Directive Revisited" [2001] EIPR 364 thinks that genomic databases cannot be by-products of another objective.

be invested in making those databases. However, as argued above the potentiality of natural monopolies in case of data extremely costly to collect is important and abuse through either unreasonable prices or refusals to licence is highly possible. The law (preferably the statutory law) should therefore provide for the possibility of a compulsory licence at certain conditions in case such abuse occurs.[82]

If the main activity is not to present the data but to understand the functioning of nature, be it the universe or living beings, then it can be said that the data generated is a by-product of this main activity. In this case, the spin-off theory would apply. As has been seen, the theory should not apply in the lump, since there can be a substantial investment in presentation. If the database has been made by a private entity[83], and substantial investment in presentation can be *proven*,[84] then a correct interpretation of the Directive entails that such databases should be protected. The aim of Directive is to provide an incentive in the making of databases. If the database maker knows that he will not be protected for presenting the data, he will not invest. The dilemma however is the same as for "created and presented data": should those databases however deserve protection? Perhaps in more cases than for "created and presented" data, "recorded" data will be vital to society. The temptation is high to reject the protection of those databases *en bloc*, in other words to apply the spin-off theory. In our view, the same solution as for "created and presented" data is best. Governments do not have sufficient resources to make all scientific discoveries. This might have been the case in the past but not anymore. The aim of the Directive is to encourage the development of databases. If the state does not act and companies know the results of their endeavours will not be protected, they will either not invest or will keep their (unpatentable) results for themselves if they can (as trade secrets). Thus, when one is confronted with the presentation of naturally occurring elements (such as the human genome) which require considerable sums, not easily available, and the data is vital to society, the enterprise making the investment should on the one hand be rewarded for its endeavours through protection but on the other, should not prevent mankind from benefiting from it. The same balancing of interests as for "created and presented" data should be made. Both the risk of monopolising the information (through refusals to licence or incredibly high prices) and the importance of its availability to humanity plead for the compromise solution of a compulsory licence[85], most preferably enshrined in the statutory law to enable a clear vision to all and thereby ensure legal security.

In the other cases, where the investments to collect the data are not so high, the risk of monopoly is much lower since the data is available for anyone to record. Therefore, a normal application of the database should be recommended.

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[82] In this case, it seems that a compulsory licence is more appropriate than the statutory licence which could be advocated in the case of "created and presented" data because the risk of monopoly is less high (natural monopolists rather than absolute monopolists). On the other hand, it could be argued that since the information is so vital to society a statutory licence should be preferred. The issue of the determination of the conditions at which the licence would exist would deserve a whole article and are not discussed here.

[83] In the case of the genome, this was partially the case (Celera (www.celera.com) sequenced part of it).

[84] See the argument developed above for "created and presented data".

[85] See the argument developed n. 82 above which could apply here as well.

Conclusion

If the spin-off theory is equivalent to stating that created data is not protected by the *sui generis* right, it is just basically interpreting the word "obtaining" in article 7.1 of the Directive in the correct way. On the other hand, if the spin-off theory, as it seems to be, refers to a broader meaning that any database which is a spin-off of another activity should not obtain protection, it goes too far. Especially in the case of "recorded" data, the application of the spin-off theory would have too far-reaching consequences which in some cases could even be disastrous. Arguably there are cases where spin-off databases should be granted protection, when a substantial investment in the *presentation* of the data can be *proven*. However in some delimited cases (some "created and presented" data as well as some "recorded" data), the full effect of the Directive would give rise to absolute or natural monopolies. In those cases, a compromise solution would be to impose the licensing of the information at a reasonable price. In sum, we should not adopt the spin-off theory in its broader meaning.[86] A construction of the Directive as such is sufficient to bring a solution to the monopolistic situations created by some data identified above.

The results of this analysis can be applied to the cases decided by national courts. In most of the cases decided, e.g. in the *KPN* cases, in *Kranten.com*, in *De Telegraaf v NOS*, the courts should have applied the above findings. These data were either just created or created and presented. If the courts did find the data was just created, they were right not to grant protection at all. But if they had gone further in their analysis and stated that the data were actually also presented, they should have verified if there was a substantial investment in the presentation and continued the analysis. In general the courts analysis was rather coarse; they applied the broader meaning of the spin-off theory in the lump. An exception is the *BHB v William Hill* case where the court stated that the data was created but also gathered, verified and presented and agreed that the claimant had proved a substantial investment in those. On the other hand, in *NVM*, the data (real estate ads) seemed collected rather than created and were also presented. The intuitive rejection of the spin-off theory and the subsequent result arrived at by the Hoge Raad are laudable, but for the wrong reasons. A simple application of the Directive (is there a substantial investment in the collection, verification or presentation of the ads?) would have allowed the court to draw conclusions rather easily.[87] A timid attempt to develop the argument developed in this paper can be found in the *Wegener* case, where the court refused to listen to the mermaids' songs of the spin-off theory and examined whether there was a substantial investment in the presentation of the data, irrespective of whether the data had been obtained or created.

The four cases before the ECJ involve either "created" data or "created and presented data". The ECJ should direct national courts in the way advocated in this article. It should be able to do so since all the arguments developed above are purely based on the Directive. If the databases are made by the state, there is no protection. This however does not seem to be the case. If the data are only created, then the BHB and Fixtures Marketing databases are unprotected. If the data are both created and presented, first the database makers should prove there has been a substantial investment in the presentation of the data. If it is proven, then it should be seen

[86] Except for created data if the restrictive meaning of "obtaining" is not adopted.
[87] In the opinion of Visser, n. 4 above, the database was probably protected.

whether this presentation is the only user-friendly, commercially viable, way to present the data. If it is, then protection should accrue but should be regulated by means of a compulsory or a statutory licence. If it is not, the normal effect of the Directive should be given.

And to answer the rhetorical questions posed by one commentator[88]… Parliaments should not have database right in the results of their daily voting because the collection of those results is a state database. Football clubs should not have database right in their football scores if it is purely created data. If it is created and presented data which is only presentable in one user-friendly way (which will be the most frequent cases) and there is a substantial investment in this presentation (which on the other hand will be rare), protection should arise but be licensed by law at a reasonable price. Cricket players and stock markets should be treated in the same way. Finally, an astronomer should have *sui generis* right in the coordinates of newly discovered stars, planets or galaxies. However he should not refuse to licence the data nor demand an astronomic price for it…

Post-Script

On June 8, 2004 the Advocate General ("A.G.") gave its Opinions in the four references for preliminary rulings. Due to the editing schedule of this article, it has not been possible to take them into account in the body of the text. In summary, the A.G. holds that the provisions of Directive are the decisive factor in its interpretation and that reliance on the spin-off theory should not result in the exclusion of every spin-off database. Later she rejects the spin-off theory in the sense that protection is also possible where the obtaining was initially for the purpose of an activity other than the creation of a database. The A.G. agrees that databases of purely created data are not protected by the sui generis right. Obtaining is to be interpreted narrowly (in the sense of *413 collecting, gathering, thus excluding generating data). It presupposes the pre-existence of the data. However the A.G. also points out that in many instances of a database maker both creating and collecting data, it will be difficult to make a distinction between those two activities. When the creation and processing of the data are inseparable, the protection of the Directive accrues because this activity falls within the term "obtaining". At the time of this post-script, the judgments of the ECJ are still awaited.

[88] Hugenholtz, n. 51 above.