Sui Generis Database Protection 2.0: Judicial and Legislative Reforms

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The Database Directive's sui generis database protection is a unique policy experiment by the EU legislature carried out in nineties to incentivize investment in the making and improvement of databases in order to develop an EU information market.[1] Since the two decades of its operation on the ground do not offer the most encouraging results, the European Commission is keen on reforming the tool in the context of its Data Act.[2] Coincidentally, the Court of Justice of the European Union at the same time issued a seminal judgment, *CV Online Latvia v Melons*[3], that too alters the trajectory of the protection. This article looks at the criticism of the protection, how it is addressed by the Court of Justice of the European Union (CJEU), and what can be done by the European Commission in its upcoming reform. It, therefore, offers a glimpse into sui generis database protection of the second generation.

Introduction

It has now been 25 years since the adoption of the Database Directive but it has been even longer since it was envisaged. The origins of the directive date as far back as the 1980s. It was triggered by a number of national decisions refusing to grant copyright protection to dictionaries and other collections of works for lack of originality. The originality threshold, being creativity in most Member States proved to be impossible to reach for an author arranging or selecting works in a collection. Coupled to this was the growing use of software to make electronic databases and thus the increased risk of them being easily copied, in short, the well-known combined opportunity and threat of digitisation. Therefore, in 1988, the European Commission launched a Green Paper on the Challenge of Digital Technology, which included among others a proposal to protect computer programs by copyright and to harmonise copyright protection for databases as well as a new intellectual property right – the database sui generis right - to protect the investment in collecting, verifying or presenting their contents.[4] The directive went through a series of drafts some of which were better at addressing competition concerns (one included a proposal for compulsory licences for sole source databases) but in the end the adopted text ended up with a very protective sui generis right

[1] Recital 3 and 9 of Directive 96/9 of the European Parliament and the council of 11 March 1996 on the legal protection of databases, OJ L 77/20 (hereinafter Database Directive).
[2] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13045-Data-Act-&-amended-rules-on-the-legal-protection-of-databases_en ; Proposal for a Regulation of the European Parliament and of the Council on harmonised rules on fair access to and use of data, COM(2022) 68 final.
[3] Judgment of 3 June 2021, C-762/19, ECLI:EU:C:2021:434.
[4] COM_1988_0172_FIN, 7 June 1988.

which attracted a lot of criticisms.[5] While the CJEU narrowed down the scope of the sui generis right in his seminal quartet of decisions in 2004[6], it however interpreted the economic rights generously over the years, drawing yet more criticism.[7] Article 16(3) of the Database Directive mandates a review every three years. The first one only happened in 2005[8] and the second in 2018[9]. Both European Commission's evaluation reports, based on the studies undertaken at its behest, found no evidence that the sui generis right had any economic impact[10] and both recommended the status quo. However, in the last one, it left the door open to a revision of the directive in the near future. The Commission announced in 2020 that it would revise the directive via its Data Act, a proposal for a regulation, which is now announced to be issued in the first quarter of 2022.[11]

The concerns surrounding the sui generis right were numerous, however, the four most pronounced were the following[12]:

a) Problems with the standard of investment
b) Consequences for competition
c) Lack of sufficient and comprehensive exceptions
d) Unclear or narrow scope of pre-emption

Standard of investment. Intellectual property rights usually protect some qualified achievements. That is when investments of time and money result in something that is considered to be worthy of protection. Under the European copyright standard, a work of art is judged by the originality of the result and not the difficulty that its authors had to overcome. Similarly, a repute of a trademark is measured by its consumer perception. In both cases, therefore, the standard of protection is objectively observable. The potential re-user of work or a sign observe their characteristics and make an informed decision about whether they are protected under the law. In other words, what you see is what you get. The same is not true for sui generis database protection.

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[5] One of the fiercest critics was no doubt B. Hugenholtz in his article 'De databankrichtlijn eindelijk aanvaard: een zeer kritisch commentaar' [1996] *Computerrecht* 131. See also M. Leistner, 'Der neue Rechtsschutz des Datenbankherstellers. Überlegungen zu Anwendungsbereich, S chutzvoraussetzungen, S chutzumfang sowie zur zeitlichen Dauer des Datenbankherstellerrechts gemäss §87a UrhG' [1999] GRUR Int. 819; M. Davison, *The Legal Protection of Databases*, Cambridge: Cambridge University Press, 2003; A.C. Beunen, *Protection for databases: the European Database Directive and its effects in the Netherlands, France and the United Kingdom*. Wolf Legal Publishers, Nijmegen, 2007; E. Derclaye, *The legal protection of databases, A comparative analysis*, Elgar, 2008.

[6] *The British Horseracing Board Ltd v. William Hill Organisation Ltd* (case C-203/02) [2005] 1 CMLR 15; *Fixtures Marketing Ltd v. Organismos Prognostikon Agonon Podosfairou* (OPAP) (case C-444/02) [2005] 1 CMLR 16; *Fixtures Marketing Ltd v. Oy Veikkaus AB* (case C-46/02) [2005] ECDR 2; *Fixtures Marketing Ltd v. Svenska Spel AB* (case C-338/02) [2005] ECDR 4.

[7] M. Husovec, "The End of (Meta) Search Engines in Europe?" (2014) 14(1) Chicago-Kent Journal of Intellectual Property, pp. 145-172.

[8] DG Internal Market and Services Working Paper, First evaluation of Directive 96/9/EC on the legal protection of databases, 12 December 2005, available at https://ec.europa.eu/info/sites/default/files/evaluation_report_legal_protection_databases_december_2005_en.pdf

[9] Commission Staff Working Document, Evaluation of Directive 96/9/EC on the legal protection of databases, Brussels, 25.4.2018 SWD(2018) 146 final, available at https://digital-strategy.ec.europa.eu/en/library/staff-working-document-and-executive-summary-evaluation-directive-969ec-legal-protection-databases

[10] See p. 6 of 2005 report and p. 16-19 of the 2018 report.

[11] https://www.euractiv.com/section/data-protection/news/leak-draft-impact-assessment-sheds-some-light-on-upcoming-data-act

[12] The potentially infinite term of protection is also problematic but we leave it out of the scope of this article.

Sui generis database protection is investment protection, regardless of the result. As long as the investment is sufficiently substantial, and qualifies as collection, verification or presentation, it triggers protection. To the outside observer, these acts of investment are usually unknown. In fact, two databases of the same kind created by two companies can lead to entirely diverging outcomes. One might be protected as a result of the relevant investments, while the other might not. For instance, a dataset of flight connections created by airlines selling the flights, will not enjoy protection. However, purchasing the same data set could qualify as relevant investment. This unique characteristic of the threshold means that the threshold of protection is untransparent to a potential user, hardly verifiable and does not lead to the same outcomes when presented with the same data sets. Therefore, it is no surprise that according to a recent EU Study from 2018, "[t]he notion of 'substantial' investment is one of the most problematic provisions of the Database Directive, with polarised positions among stakeholders."[13]

Competition concerns. Sui generis database right typically raised two concerns for competitive markets. First, that it might be unnecessary to stimulate the investment in data processing because such activities are at the heart of any effectively run business these days. Sensor and machine-produced data are commonplace and hardly need to be pushed by law, as firms realize the benefits of using big data in their production and supply chains.[14] Second, affording such protection could allow some competitors to strategically slow down the deployment of useful tools to improve productivity in the industries by claiming sui generis database rights over datasets. This in turn would only increase costs of re-constructing the datasets, especially when such behaviour becomes widespread. The default approach to resolve these concerns is resorting to competition law, in the main article 102 TFEU. The CJEU's case-law concerning abuse of dominance can step in to remedy some situations when a maker of a database refuses to license his database. Yet, the reliance on abuse of dominance has a number of pitfalls and limitations, among them the speed of remedies and the limited scope of such solutions. For this reason, scholars have been proposing to add more universal compulsory licensing schemes.[15]

Exception concerns. One of the additional problems of the Database Directive has been its neglect of the interests of users. The Directive originally included only three, optional, exceptions: private use of non-electronic databases, illustration for non-commercial teaching and research, and public security or procedure-related uses. Unsurprisingly again, the Directive was criticized, and the recent EU study suggested "to consider aligning the exceptions listed in the Database Directive with those in the Information Society Directive (Article 5)".[16] In 2019, the Digital Single Market Copyright Directive amended the Database Directive by adding several mandatory exceptions concerning text and data-mining, digital cross-border teaching and for use by cultural heritage institutions.[17]

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[13] R. Fischer, J. Chicot, A. Domini, M. Misojcic, G. Bodea, K. Karanikolova, A. Radauer, M. Calatrava Moreno, A. Gkogka, L. Bently and E. Derclaye, *Study in Support of the Evaluation of the Database Directive 96/9 on the legal protection of databases, Final report*, DG Connect, 2018, available at https://op.europa.eu/en/publication-detail/-/publication/5e9c7a51-597c-11e8-ab41-01aa75ed71a1, p. 9.

[14] See also J. Drexl, "Designing Competitive Markets for Industrial Data – Between Propertisation and Access", 8 (2017) JIPITEC, p. 273

[15] R. Fisher et al, n. 13 above; C. Hartmann, J. Allan, P.B. Hugenholtz, J.P. Quintais and D. Gervais, *Trends and Developments in Artificial Intelligence Challenges to the Intellectual Property Rights Framework, Final report*, 2020, available at https://op.europa.eu/en/publication-detail/-/publication/394345a1-2ecf-11eb-b27b-01aa75ed71a1/language-en.

[16] See n. 13 above.

[17] See Art 3, 4, 5, 6 and 8 of the Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC, some of which are also imperative i.e. cannot be derogated by contract.

Pre-emption. The sui generis right was meant to replace the unfair competition tort of slavish imitation. Indeed, before the directive was adopted, the other option instead of creating a new intellectual property right, was to harmonise unfair competition laws or at least the tort of slavish imitation, also known as parasitism. Because Member States could not agree, the alternative i.e. the sui generis right was chosen. However, article 13 of the Database Directive states that it left intact, among others, unfair competition so that the tort can be cumulated with the sui generis right and/or copyright.[18] Over the years, courts in some Member States have thus allowed the cumulation between the sui generis right and slavish imitation[19], which is an oxymoron since the former replaces the latter. No national court ever probed pre-emption effects both from the perspective of the secondary and primary EU law.[20]

On 3 June 2021, the CJEU handed down its judgment in *CV-Online Latvia v Melons* (with Marko Ilešič as a reporting judge and Maciej Szpunar as Advocate General), a case involving Melons' infringement of CV-Online Latvia's database of job advertisements arguably protected by the sui generis right. The judgment brings an important change to the infringement test. By refocusing the inquiry into whether the original investments have been hurt, it might address some of the problems that plagued the Directive over the years and bring it closer to a tort of unfair competition. As will be shown, the *CV-Online* judgment addresses some of the long-standing concerns (competition and exceptions) while it offers minor solutions to other problems, such as the standard of protection, but does not address the problems related to pre-emption.

Judicial Reform (2021)

Before the *CV Online Latvia* decision, the Court of Justice had interpreted the economic rights of extraction and re-utilisation very broadly. In all its relevant decisions[21], the CJEU stressed that the rights had to be interpreted widely. In its first case on the sui generis right, *The British Horseracing Board v William Hill*, the Court insisted on the wide definition of the rights (para. 51-53), the only limit (apart from of course the substantial part) being consultation of a database (paras. 54-55).[22] In the next case, *Directmedia*, the Court reiterated its stance on the broad definition of the rights (paras. 31-33). The same happened in *Apis* (para. 40)[23] and *Innoweb* (paras. 33-34, 38). The *CV Online Latvia* decision represents a significant shift.

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[18] E. Derclaye, "Recent French decisions on database protection: Towards a more consistent and compliant approach with the Court of Justice's case law?" (2012) Vol. 3, No. 2, European Journal for Law and Technology, available at https://ejlt.org/index.php/ejlt/article/download/124/235?inline=1

[19] Ibid.

[20] See more on pre-emption by free movement in the context of increasing harmonization: M. Husovec, "Closing the Gap: How EU Law Constrains National Rules Against Imitation?" in N. Bruun, G. B. Dinwoodie, M. Levin, A. Ohly (eds.) *Transition and Coherence in Intellectual Property Law: Essays in Honour of Annette Kur* (Cambridge University Press, 2020), p. 438-446.

[21] *The British Horseracing Board v. William Hill*, n. 6 above; *Directmedia v. Albert-Ludwigs-Univ.Freiburg* Judgment of the Court of 9 October 2008, Case C-304/07, ECLI:EU:C:2008:552; Judgment of the Court of 5 March 2009, *Apis-Hristovich EOOD v Lakorda AD*, Case C-545/07, ECLI:EU:C:2009:132 and Judgment of the Court, 19 December 2013, *Innoweb BV v Wegener ICT Media BV and Wegener Mediaventions BV*, Case C-202/12, ECLI:EU:C:2013:850 (with von Danwitz as a reporting judge; the case also dealt with a meta-search engine).

[22] The rulings of the same date in the *Fixtures Marketing* cases (*OPAP*, *Svenska Spel* and *Veikkaus*, n. 21 above) do not interpret the economic rights.

[23] "The Court has already held that, having regard to the terms employed in Article 7(2)(a) of Directive 96/9 to define the concept of extraction and to the objective of the sui generis right instituted by the Community legislature (see, in that regard, Case C-203/02 *The British Horseracing Board and Others* [2004] ECR I-10415,

CV-Online is a Latvian company that operates a website that contains a database of job advertisements, fully developed and regularly updated by it. The website also uses meta tags in its HTML code that are not visible to visitors. Meta tags allow search engines to better identify the content of each page to index it correctly. The meta tags for each page presenting a particular job advertisement mirror its four main characteristics: 'job title', 'name of the undertaking', 'place of employment' and 'date of publication of the notice'.

Melons is another Latvian company that operates a search engine specialising in job advertisements. Its service allows users to carry out a simultaneous search on several websites that publish job advertisements. The user can select various criteria, including the type of job and the place of employment. Once the results are presented to the users, they contain hyperlinks to source websites. The information contained in the meta tags inserted by CV-Online in the programming of its website is also displayed in the list of results. By clicking on such a link, the user accesses the source website, such as CV-Online's and its advertisement.

CV-Online argued that the operation of Melons's search engine violates its sui generis database right because its scraping of the meta tags 'extracts' and 're-utilises' a substantial part of the contents of the database on the website. Melon disputed this by pointing out that its specialized search engine does not engage in real-time search but periodical scraping of meta tags, and that those meta tags are part of the website but not of the underlying database of advertisements.

Unlike Innoweb's website , Melons's specialist search engine does not use the search function of a said website but develops its own way of how to explore the dataset. Moreover, the user is only offered deep links along with four keywords (four characteristics) that were inserted as meta tags. However, similarly, as in *Innoweb*, the underlying database is user-generated. In the case of *CV-Online*, the advertisements are posted by employers who are seeking to find employees.

The referring Latvian court posed two questions. First, whether the display of hyperlinks constitutes re-utilization, and second, whether the re-use of meta tags can qualify as extraction. The CJEU immediately rephrased these questions noting that the issue is much broader because hyperlinks and metatags are "merely external manifestations, of secondary importance, of that extraction and that re-utilisation" (para. 37). As a result, the Court broadens the question to the entire infringement test after first defining "the scope and purpose of the protection of the sui generis right under Directive 96/9".[24]

The CJEU starts by restating its relevant case law on the database sui generis right, mainly *Innoweb*, *The British Horseracing Board and Others*, and the *Fixtures Marketing* cases.

The CJEU says that Melons gives "users access, on its own website, to job advertisements contained in [CV-Online Latvia's] database[…]." (para. 34). So, it reutilises the database's content and by the fact that it previously copies and indexes the content of CV-Online Latvia's database, it also extracts it. However, the CJEU distinguishes this case from Innoweb's (para. 33). In short, in the Court's view, Melons appropriates less than Innoweb's Gaspedaal.

paragraphs 45, 46 and 51, and *Directmedia Publishing*, paragraphs 31 to 33), that concept must, in the context of Article 7, be given a broad interpretation as referring to any unauthorised act of appropriation of the whole or a part of the contents of a database, the nature and form of the process used being immaterial (see, to that effect, *The British Horseracing Board and Others*, paragraphs 51 and 67, and *Directmedia Publishing*, paragraphs 34, 35, 37 and 38)."

[24] *CV Online Latvia*, above n. 3., para. 21.

Following Advocate General Szpunar, this conclusion is not necessarily based on how much Melons takes from the database, but on how it *re-uses* it (para. 33, AG Opinion).

The CJEU concludes that these acts fall under art. 7(2)(a) and (b) of the Database Directive but constitute infringement only "provided that they have the effect of depriving that person of income intended to enable him or her to redeem the cost of that investment" (para. 37). This important caveat introduces the raison d'être of database protection into the infringement test. For the Court, its basis is recital 42 of the directive stating that the infringing acts must cause "significant detriment" to the database maker's investment.

However, the Court does not stop there. Following Advocate General Szpunar, it notes that (para. 41 of the judgment, and paras. 3 and 43 of AG Opinion):

> "it is necessary to strike a fair balance between, on the one hand, the legitimate interest of the makers of databases in being able to redeem their substantial investment and, on the other hand, that of users and competitors of those makers in having access to the information contained in those databases and the possibility of creating innovative products based on that information."

Citing the Advocate General, the court says that "the main criterion for balancing the legitimate interests at stake must be the potential risk to the substantial investment of the maker of the database concerned, namely the risk that that investment may not be redeemed" (para. 44).

Applying this to the case at hand, the Court notes that "aggregators contribute to the creation and distribution of products and services with added value in the information sector. By offering their users a unified interface enabling them to search several databases according to criteria relevant to their content, they allow the information on the internet to be better structured and to be searched more efficiently. They also contribute to the smooth functioning of competition and to the transparency of offers and prices" (para. 42).

Finally, the Court notes that competition law remains untouched and that it is up to the Latvian court to apply these criteria to the case at hand.

The *CV Online Latvia* decision represents a significant shift from the previous case law. It differs from the previous judgements on the breadth of the extraction and reutilisation rights. The accent is more on a balance to be found between on the one hand the rights of the database maker to recoup its investment and on the other hand legitimate interests of competitors and other third parties, e.g., users. The interpretation of the term 'obtaining' already did have this effect in the first 2004 decisions on the sui generis right (the *British Horseracing Board* and *Fixtures Marketing* cases) but since then the CJEU's tone on the rights was, as in copyright law, for an expansive interpretation.[25] The *CV Online Latvia* judgment breaks this trend and gives a more measured and mature view of the right. The decision fully follows Advocate General Szpunar's opinion and is a further confirmation of his strong influence on the copyright case law of the Court.[26] In the following sections, we first outline the context of the decision, and then consider its implications for the protection itself.

[25] For a criticism of the *Innoweb* ruling, see M. Husovec, above n. 7.
[26] E. Derclaye, "The Multifaceted Influence of the Advocates-General on the Court of Justice's Copyright Case Law: Legal Secretaries, Literature and Language" in E. Rosati (ed.), *Routledge Handbook of European Copyright Law* (Routledge 2021), p. 443-471.

Legislative reform (2022)

The European Commission is about to unveil its Data Act proposal that will also amend the Database Directive. It should also create elaborate (business to business (B2B) and business to government (B2G) access and data-sharing regimes. The goal is to unlock the potential of data for its re-use in the data economy and for artificial intelligence. According to the leaked materials, the European Commission intends to exclude from scope some machine generated-data to allow their free re-use.[27] While this step tries to address some of the competition concerns in the digital economy, on its own, it is unlikely to solve broader problems of the sui generis protection. In fact, machine-generated data is a perfect example showing that the intended effects, that is to allow re-usability of such data, can only be achieved by at the same time addressing other remaining problems, namely of pre-emption and standard of protection. While the *CV-Online* judgment addresses some of the long-standing concerns (competition and exceptions), it does not solve other issues. In the following section, we address each of these challenges and reflect on what needs to be done.

Standard of investment

CJEU judgment in *CV-Online* arguably strengthens the link between substantial investment and substantial part in the infringement test. This is because even if the burden has always been on the right holder to prove that substantial investment has been taken by the defendant, it will now need to prove that there has been a significant detriment to its investment or a risk of such detriment. This might be harder to prove. The 'significant detriment' language of recital 42 of the Database Directive, which has only been cited in one of the 11 cases on the sui generis right, namely in *British Horseracing Board v William Hill*, and to a lesser effect, is now the centre of the inquiry into the infringement test (para. 39). In addition, the detriment to the investment is now arguably only the *main* (para. 44) and not the *sole* criterion to determine if there is an infringement of the sui generis right. As a consequence, the national courts will have to engage with the evidence of investment much more than they did before.

Among potential beneficiaries of the protection, governments might struggle to articulate their substantial investment in the databases. Governments are funded by taxpayers' money and thus do not incur financial risks. Thus, governments cannot prove they made an investment, let alone substantial, in their databases. There are however governmental organizations that are partly funded by government money and partly by private money, or even fully funded by private money (e.g. Ordnance Survey in the UK). Those organizations can more easily prove an investment but there is a grey area for those which are partly funded. It is unclear whether they can benefit from the sui generis right if they are funded by a majority of private funds. The situation in the Member States diverges.[28]

In Germany, the Federal Supreme Court held that official works that are databases eligible for the *sui generis* right should be exempted from protection by analogy with the copyright act's exemption for official works.[29] In *Autobahnmaut* (25 March 2010),[30] the same court held that in a public private partnership, the investments of the private partner into the resulting database,

[27] https://www.euractiv.com/section/data-protection/news/leak-draft-impact-assessment-sheds-some-light-on-upcoming-data-act/

[28] The German Supreme Court posed a question to the CJEU but later withdrew it so that this issue is still unclear at EU level. See Case C-215/07 *Schawe v Saechsiches Druck- und Verlagshaus* [2007] OJ C-155/12; S. von Lewinski, "Chronique d'Allemagne – 2e partie: L'évolution du droit d'auteur en Allemagne de mi-2005 à fin 2010" (2011) Revue internationale du droit d'auteur, 229, 239.

[29] *Saechsiger Ausschreibungsdiesnt*, 28 September 2006 [2007] GRUR 500; [2007] GRUR Int. 532.

[30] German Federal Supreme Court, BGH (2010) I ZR 47/08.

can constitute substantial investments triggering the sui generis right even if there was also partial public funding. In particular, this will be the case if the industry partner relies on a mix of public funding and private exploitation to recoup its investments into the database. According to the case law, in general, publicly commissioned enterprises can benefit from database protection as they need to recuperate their investment. A similar line of thinking is pursued in the Netherlands. Article 8 of the Dutch Database Act states:

> (1) Public authorities do not have the right, referred to in Article 2, first paragraph, [ndlr: namely the sui generis right] with regard to databases of which it is the producer and the content of which is formed by laws, decrees and regulations issued by it, court decisions and administrative decisions.
> (2) The law referred to in Article 2, first paragraph, does not apply to databases of which the public authorities are the producer, unless the right is provided for in general by law, decree or regulation, or in a specific case as evidenced by notice on the database itself or when making the database available to the public is expressly reserved".

The District Court of Amsterdam held that the collection of data occurred in the performance of the public body's public task and with the support of governmental subsidies (here a City Council), did not qualify as a database producer, because it did not actually bear the risk of the investment. The intention of the database was to simplify the public task of the local authorities.[31] In another recent Dutch case, decided after the CJEU ruling in *CV-Online Latvia*, the district court of Midden-Nederland held that the official Dutch company register, funded by the Dutch Ministry of Economic Affairs, did not have rights as database maker because it took no risk.[32] Because the Dutch government funds the register, the government would fully cover any potential loss. In Italy, on the other hand, public authorities can benefit from the sui generis right. However, according to Italian competition law, where a public sector body performs commercial activities, it has to make all the information available to its competitors.

Commented [CDE1]: Here or? renumber fn?

Even if governments document their extra-investments in the databases that were not a by-product of their governing responsibilities, with the *CV Online Latvia* decision, it might be hard to prove that re-use of publicly funded datasets harms investments more than it benefits the public that they are supposed to serve.

However, the situation remains more complicated for private investors. While in theory, the national courts will have to engage with the evidence of investment much more than they did before, the legislation is still missing some objectivization of such investments. Currently, if the investors over-invest, they are rewarded with stronger protection. Two data sets containing the same data set but obtained by different means can exist in diametrical regimes. What is missing is some type of objective investor test that could establish what constitutes reasonable investments. Since the investments take place behind closed doors and there are no common protocols for documenting or demonstrating them, it is unlikely that the courts will resolve the problems of inscrutability and predictability soon. This is why some type of legislative intervention concerning how to document and demonstrate such investments is needed. As long

[31] ABRvS 29 April 2009, n 07/786, AMI 2009-6 (College B&W Amsterdam/Landmark; with annotation from M. Van Eechoud). For the situation in the Netherlands, see M. van Eeechoud, "Government works", in P.B. Hugenholtz, A Quadvlieg and D. Visser (eds), *A Century of Dutch Copyright Law, Auteurswet 1912–2012*, deLex, Amsterdam, 2012.

[32] District court Midden-Nederland, 22 December 2021, Vereniging voor Zakelijke B2B Informatie v. Chamber of Commerce, available at https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBMNE:2021:6183#_98c3ea4e-f137-495f-a6f3-05d960a6f001 and discussed on the IPKat at https://ipkitten.blogspot.com/2022/01/dutch-court-rejects-claims-for-sui.html

as the protection ought to stay without registration, the only possibility is to impose some type of transparency and due diligence standards on the right holders. These actions can be only introduced by the EU legislature.

Competition law

The *CV-Online case*, by internalizing investment-risk assessment, does resolve some cases where social value might be blocked by strategic use of the protection. However, it does not resolve all such cases. The most important change is that the Court now requires that all acts of extraction and re-utilization must lead to a *risk* that the database maker is not able to recoup its initial investment *because of* these actions. Moreover, while considering the risk, the national courts must balance the interests of other parties as part of the infringement test. The court explicitly mentions the legitimate interests of "users" to have access to the information contained in the database and "competitors" to create innovative products based on that information. The CJEU points out that if a website creates a new, better, product that enhances competition (e.g., price transparency for consumers), there is no infringement unless the risk to the database maker's initial investment outweighs these considerations.

It will have to be seen how the balancing requirement is operationalized by the national courts. The court clearly shows how competition concerns can be reconciled *within* the protection. However, this does not mean that *Magill*-like cases[33] will always resolve as non-infringement. The court's analytical framework rather seems to curb the ability of database makers to rely on investment protection in low-risk (to database makers) and high-gain (to everyone else) scenarios. Therefore, very innovative products producing strong consumer benefits or socially important re-use of public data by journalists that do not have a significant impact on the investments made, are likely to prevail. However, it is unlikely that the courts would operationalize the test as denying infringement in cases of high-risk and high-gain.[34] Finally, the same will be true of high-risk and low-gain cases. Any potential abuse in these two scenarios would likely remain in the provenance of "big" competition law.

One could visualize the changes as follows:

Risk to Investment *vs* Social Gains	**Low-Gain**	**High-Gain**
Low-Risk	No infringement	No infringement (e.g. *CV-Online Latvia)*
High-Risk	Infringement	Infringement (e.g. *Parkster*)

[33] Judgment of the Court of 6 April 1995, *Radio Telefis Eireann (RTE) and Independent Television Publications Ltd (ITP) v Commission*, Joined cases C-241/91 P and C-242/91 P, ECR 1995 I-00743 (also known as *Magill* case); Judgment of the Court (Fifth Chamber) of 29 April 2004, *IMS Health GmbH & Co. OHG v NDC Health GmbH & Co. KG*, Case C-418/01, 2004 I-05039 and Judgment of the Court of First Instance (Grand Chamber) of 17 September 2007, *Microsoft Corp. v Commission*, Case T-201/04, ECLI:EU:T:2007:289.

[34] In that vein, in a recent case involving a parking app, the Swedish Patent and Market Court applied the CJEU's ruling in *CV-Online Latvia* to an aggregator whose service (unlike in CV-Online Latvia) inserted itself between customers and sellers by integrating the experience entirely in their own app. The court rightly considered this to be case of an infringement. *See* PMT 11815-20 *Parkster AB ./. Parkamo GmbH*, discussed on the IPKat, available at https://groups.google.com/d/msgid/ipkat_readers/CAOJLNS%2BSAjYVkxTjFqw4pSb29VJYiiGw%3DnQBK0nD5i%2BsGvv0cA%40mail.gmail.com.

Looking at the table introduced above, the decision has the potential to resolve low-risk and low-gain cases (e.g. governments preventing minor re-use),[35] but also low-risk and high-gain cases (e.g. specialized search engines with high added value). But they are less likely to help address high-risk and high-gain (e.g. appropriation of an investment-heavy database by a competitor for a complimentary product), or high-risk and low-gain cases (e.g. appropriation of an investment-heavy database for hobby projects), which would still resolve in infringement of rights if exploitation is not licensed. An analogy can also be drawn with the English copyright case of *Kenrick v Lawrence*[36], which held that a low originality work attracts a low scope of protection and thus is not as easily infringed, in most cases exact reproduction is necessary. Unfortunately, it is unclear whether the CJEU has overruled this old UK precedent because in *Painer*, the CJEU seems to suggest that the scope needs to be the same whatever the level of originality of the work.[37] Nevertheless, if this is what the CJEU meant in *Painer*, it does not mean that the same reasoning should apply to the sui generis right especially as it is a right that applies to data and not creative works.

This typology suggests that the main dividing line for complementary services, for instance, would be drawn based on the extent of the value added. This probably means that many complementary services re-using databases will still infringe sui generis database right. In such cases, compulsory licensing could step in to remedy the problem if the situation flies under the radar of competition law due to the non-existence of market power. Such compulsory licenses can help address the harsh on/off-switch anchored in any protection of exclusive rights, by offering a middle ground of compensated re-use. The European Commission should therefore consider such tools despite the findings in *CV-Online Latvia*.

Arguably, in some areas of law, such an approach has been already followed. For instance, data portability rights given to the end-consumers are often predicated on the idea of data re-use. Such re-use by competitors can violate the rights of database makers. While each data portability regime forces them to relinquish exclusivity over their data-set, it might still allow for appropriability through the involuntary licensing that results.[38] The legislative change could at the very least foresee a general-purpose tool of such kind that can facilitate FRAND-type licensing where exclusivity is lost due to access rights of others, whether B2B, B2G or B2C.

Another alternative would be to complement the existing law with provisions about remedies in case of an infringement that would curtail the use of injunctions and instead direct judges towards compensation in the case that it better achieves the balance of interests at stake.[39]

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[35] If the *CV-Online* decision is interpreted as requiring substantial investment risk even if no societal gains are at stake (following para 44 of the judgement), then low-risk and low-gain cases equally result in the verdict of non-infringement. In fact, concluding so in these cases would seem to be the best proof of whether the CJEU intends the protection to lean more towards unfair competition principles, where underlying harm is key.

[36] *Kenrick & Co v Lawrence & Co* (1890) 25 QBD 99.

[37] Judgment of the Court of 1 December 2011, *Eva-Maria Painer v Standard VerlagsGmbH and Others*, Case C-145/10, [2011] I-12533, paras 97-98.

[38] See I. Graef, M. Husovec and N. Purtova, "Data Portability and Data Control: Lessons for an Emerging Concept in EU Law" (2018) German Law Journal, vol. 19 no. 6, p. 1376.

[39] See article 12 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ L 157, that could be adapted and broadened for these purposes. See for in-depth debate, J. Contreras and M. Husovec (ed.) *Injunctions in Patent Law Trans-Atlantic Dialogues on Flexibility and Tailoring* (CUP, 2022 forthcoming).

Exceptions

While *CV-Online* obviously does not create new exceptions, its treatment of the infringement test might resolve some problematic cases already as lack of infringement. Because the judgement opens doors to the assessment of fundamental rights, such as freedom of expression, information and arts, there is more room to argue that they should trump database maker's interests in some specific cases. However, as noted above, the room that this approach creates is still limited because if the use is of high risk to the investment, even a high-value purpose might not neutralize the infringement. For instance, while journalistic use of a database in the context of investigations can be of very high-value, it would probably avoid infringement only if the re-use was not of high-risk for the underlying investment. Journalists could therefore probably study the datasets, but would remain highly limited in how they can present its parts to the public.

That said, the test of infringement as revisited by the CJEU in *CV Online Latvia* may have a significant impact on some exceptions. It may even make the text and data mining (TDM) exceptions introduced by the Directive on Copyright in the Digital Single Market redundant or at least expand them. Indeed, it is generally the case that text and data mining does not involve a detriment, let alone significant, to the sui generis right holder's investment.[40] Therefore, anyone could perform text and data mining on a database protected by the sui generis right without having resort to the newly introduced exceptions. Similarly, the exception for extraction of the contents of a non-electronic database for private purposes (art. 9(a) Database Directive) could easily be extended to electronic databases.

Even though this already represents an improvement, it remains clear that there is a lack of proper framework for many situations. The legal certainty of users is not enhanced if they have to make a complicated assessment of investments risks from the outside. This is even more problematic given that the user is often not able to distinguish which parts of the dataset were particularly investment-heavy for the database maker. Indeed, a database is not a 'transparent' work compared to thew other types of copyright works. With a painting, a novel or a musical work, what you see is what you get, so the user readily knows that she takes the author's own intellectual creation. Even with neighbouring rights such as films and sound recordings, thanks to *Pelham*[41] and in the UK, thanks to the case law relating to films and broadcasts[42], it is clear how to determine where the investment resides. This is not the case with the sui generis right, where the investments are not readily visible but only known to the database maker. As a result, there is still a need to implement a broad list of exceptions in the updated text of the Directive. However, the *CV-Online* case, if codified, can serve as a general catch-up clause for situations that do not constitute infringements – in essence, cases of "fair use" and those mentioned above namely TDM and private use.

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[40] See e.g. A. Strowel, "Reconstructing the Reproduction and Communication to the Public Rights: How to Align Copyright with Its Fundamentals", and Ole-Andreas Rognstad & Joost Poort, "The Right to Reasonable Exploitation Concretized: An Incentive Based Approach" in P.B. Hugenhotlz, Copyright Reconstructed: Rethinking Copyright's Economic Rights in a Time of Highly Dynamic Technological and Economic Change, Kluwer, 2018.

[41] *Pelham GmbH & Ors v. R. Huetter & F. Schneider-Esleben*, C-476/17.

[42] *BBC v British Satellite Broadcasting* [1992] Ch 141; *England and Wales Cricket Board & Sky UK v. Tixdaq & Fanatix* [2016] EWHC 575 (the investment is in the important aspects of a sports game e.g. the goals in football, the dropped catches and wickets in cricket etc.).

Pre-emption

In the upcoming reform, the European Commission also still needs to deal with the problem of pre-emption. In fact, this problem requires intervention to make any other changes meaningful. It should be clarified that sui generis database protection pre-empts national slavish imitation/parasitism. This does not mean that all unfair competition torts are pre-empted. There are many other types of unfair competition torts that protect against different unlawful conducts than mere misappropriation of an investment in the database (e.g. copying involving a risk of confusion, denigration). However, this can be clearly stated in the updated directive too.

Such a provision would make clear that it is impossible to cumulate slavish imitation or parasitism with the sui generis right, or even extend it beyond the EU law. Indeed, the possibility for databases to obtain separate protection through unfair competition law provisions presents two negative aspects. First, it adversely affects the functioning of the internal market and the free movement of goods and services. Second, it is also overprotective in the sense that it protects the investment in collecting, verifying or presenting the contents of a database twice. And for that matter, it can do it during the term of the sui generis right (concurrent or simultaneous overlap) and even afterwards, prolonging the right potentially indefinitely even if there is no new substantial investment (so-called subsequent or a posteriori overlap).[43]

The lack of case-law on the matter does not mean that there is currently no pre-emption of slavish imitation under national law. Even if Article 13 was interpreted as offering no pre-emption by secondary law, the EU law still constrains by the back-stop mechanism of free movement.[44] Therefore, many national laws protecting against misappropriation of investment in collection, verification and presentation can be still found to be incompatible with primary EU law. In fact, this is why it would be advisable for the EU legislature to keep the scope of relevant investments broad enough. Each category of irrelevant investments, unless coupled with broad pre-emption, risks creation of national experiments that try to protect against the appropriation of such investments.

The pre-emption puts other attempts by the Commission into a different light. While excluding machine-generated data can be beneficial from the competition standpoint, it will only have such effects unless the Member States decide to keep or start protecting them. Instead of narrowing down the scope, if the Commission wants to achieve broadening of re-use, it should instead broaden the scope of the Directive. The CJEU's interpretation in the *Ryanair* case wrongly conceptualized the Directive's scope as covering only databases that qualify for copyright or sui generis database right.[45] Instead, the Database Directive should be conceptualized as an exhaustive statement about the protection of databases as such. This means that the Directive should have a provision clearly stating that for subject-matter falling within the definition of a database, no other protections against misappropriation are permissible under the national law.[46] Instead of carving-out machine-generated data from the scope, the Directive should instead clarify that they are unlikely to qualify for protection due to lack of relevant investment, or potentially create a presumption that this is the case. Such an

[43] E. Derclaye and M. Leistner, *Intellectual Property Overlaps, A European Perspective*, Hart, 2011, Introduction.
[44] Husovec, n. 20 above, p. 438.
[45] *Ryanair*, C-30/14, paras. 35 and 44.
[46] Obviously, there needs to be a without prejudice clause for the Trade Secrets Directive, Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, OJ L 157.

approach insures that the protection will not be afforded by the national law. This would also allow overturning *Ryanair* when it comes to contractual arrangements because such stipulations could be viewed as equally pre-empted by the Directive.

Other principles of EU law can also achieve similar aims as those of free movement and pre-emption in terms of reducing the scope of the right. For instance, the Treaty on the functioning of the European Union's article 12, which is part of its principles (part I of the Treaty) states that "Consumer protection requirements *shall* be taken into account in defining and implementing other Union policies and activities" (emphasis added) and later on, article 169 mandates that "In order to promote the interests of consumers and to ensure a high level of consumer protection, the Union *shall* contribute to protecting the health, safety and economic interests of consumers, as well as to promoting their *right to information*, education and to organise themselves in order to safeguard their interests" (emphasis added). The protection of consumers is also enshrined in the EU Charter of fundamental rights (art. 38). As per CJEU case law[47], courts must strike a fair balance between different rights protected in the EU Charter of fundamental rights. So not only as in *Promusicae* should the right of privacy be balanced with copyright but as in *McDonagh*, the protection of consumers should be too, and consumers should be afforded a high level of protection[48], especially as they are "deemed to be less informed, economically weaker and legally less experienced than the opposite party".[49]

Interestingly, in *McDonagh*, the CJEU refers to *Promusicae* for the fair balance, more or less in same terms as in paragraph 41 of *CV Online Latvia*. Therefore, this reference probably comes from there. But strangely neither the court nor the AG in *CV Online Latvia* refers to *Promusicae* or another case using this wording, though they also use this wording. In any case, it shows both the CJEU and national courts must balance the sui generis right with other rights, because they are bound by higher level law than the secondary EU law, namely not only the TFEU but the Charter. Also contrary to copyright, nowhere is it stated in the Database Directive that the protection of database producers must be high, on the contrary, recital 48 states that it needs to be appropriate. This contrasts with recitals 4 and 9 of the Information Society Directive[50] which require a high level of protection for copyright works. Therefore, arguably with the sui generis right, the balance should tilt more favourably towards consumers and competitors.

Finally, to achieve future-proofness of the policy experiment, and in light of its future re-assessments, it might be advisable to turn the sui generis database protection into an EU Regulation that can be more easily repealed in the future with automatic consequences in all the Member States.[51]

Conclusions

The upcoming reform of the Database Directive offers a unique opportunity to improve it. The CJEU assisted the European Commission by issuing its seminal judgment in *CV-Online*. The

[47] Case C-275/06 *Promusicae* [2008] ECR I-271; Judgment of the Court, 31 January 2013, Case C-12/11, *McDonagh v Ryanair*, ECLI:EU:C:2013:43.
[48] *McDonagh*, n. 46, para. 63.
[49] Case C-681/17 *Slewo*, para. 32. On art 169 of the TFEU, see e.g. S. Garben, "Article 169", in Manuel Kellerbauer, Marcus Klamert, and Jonathan Tomkin (eds), *The EU Treaties and the Charter of Fundamental Rights: A Commentary*, OUP, 2019.
[50] Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L 167.
[51] This view is advocated and explained here: M. Husovec, "The Fundamental Right to Property and the Protection of Investment: How Difficult Is It to Repeal New Intellectual Property Rights?" in C. Geiger (eds), *Research Handbook on Intellectual Property and Investment Law* (Edward Elgar 2019), p. 385 ff.

decision is a welcome development because it shows the court's willingness to tackle other interests, including competition concerns internally, i.e. within the remit of the sui generis database right, thus, avoiding over-reliance on the external tool of competition law. The judgment also opens doors to the assessment of fundamental rights, such as freedom of expression, or data protection, as part of the infringement test, thus potentially making the current exceptions somewhat redundant and creating new ones. However, it places a lot of burden on judges. The European Commission could further facilitate these changes by codifying the case-law and building upon it, as was suggested above. With its draft Data Act, issued on 23 February 2022[52], the Commission has however not been very ambitious, only carving out so-called machine generated data from the scope of the sui generis right, and not unambiguously[53]. Whilst it may have decided not to revise more of the sui generis right in the Data Act, it is actually necessary to fully achieve many of its aims and it is hoped it will reconsider its position.

[52] Above n. 2.
[53] See M. Husovec and E. Derclaye, "Why the sui generis database clause in the Data Act is counter-productive and how to improve it?" https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4052390