THE DATABASE DILEMMA IN CANADA: IS "ULTRA" COPYRIGHT REQUIRED?

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Introduction

Early in 1999, I was asked by the Patent and Trade-marks Institute of Canada to appear on a panel on the issue of database protection in Canada from a "user" perspective. While I accepted the role of the users' advocate for the purposes of the panel, it is apparent that sound and balanced intellectual property policy should reflect the interest of all concerned sectors in society. Moreover, the creator/user dichotomy is becoming increasingly inappropriate as many parties realize that they have feet in both camps and that they face a common economic adversary in the form of ever more powerful publishers, providers, distributors and "middlemen" of the intellectual property world. This is particularly true in the context of the "database" issue.

I was asked to answer the following three questions from the users' viewpoint:

1. Should databases be protected against use by others without permission and payment?

2. What should the test of "originality" be in order for a database to be protected?

3. What should Canada do about protecting databases?

Before I turn to these questions, a brief commentary on the state of the current law in Canada and elsewhere is needed.

United States

In 1991, the U.S. Supreme Court held in a landmark decision that a white pages

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telephone directory could not be protected by copyright because the subject matter lacked even "a modicum of creativity".[1]

Since then, any number of U.S. cases have followed *Feist,* countless articles have discussed it, and the principle has been extended to yellow pages[2] and beyond. In a controversial decision concerning a collection of data about cable television systems, the 11th Circuit Court of Appeals in *Warren v. Microdos*[3] rendered a decision that many would suggest gives sanction to commercial free riding in the database sector. This case involved a compilation of comprehensive information on cable television systems and throughout the U.S. The data was clearly copied by a competitor in a manner that would appear to be "free riding". On appeal, this case attracted the support of various key players in the database industry who were apparently eager to see a distinction made with *Feist.* To their disappointment, the United States Supreme Court refused to hear an appeal from the 11th Circuit Court of Appeals in this decision. While the U.S. Supreme Court declined a request for *certiorari* in this matter, this does not necessarily mean that it is the law of the land. Emanating as it does from the 11th Circuit (Alabama, Florida and Georgia), it may not necessarily be followed in the key 1st, 2nd, 7th and 9th Circuits.

The majority decision (as characterized by the minority) in *Warren* is as follows:

> .....the opinion of this court has these main premises:
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> (1) The Factbook does not come within the "selection" prong of the § 101 definition of a "compilation" because no selection has been made (by anybody), since the Factbook lists all geographic communities having cable service. (Mss. pp. 22-26.)
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> (2) Assuming that the Factbook is sufficiently creative and original to be copyrightable, Warren's claim of protection fails because:
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> (a) Warren seeks copyright protection for mere techniques for discovery of facts.
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> (b) The selection of principal communities was made by cable operators and not by Warren. [4]

Admittedly, this leads to the somewhat troubling and superficially paradoxical

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[1] *Feist Publications, Inc. v. Rural Tel. Service Co.*, 499 U.S. 340 (1991) (hereinafter *Feist*)

[2] *Bellsouth Advertising & Publishing Corp. v. Donnelley Information Publishing Inc.* (1993), 999 F (2d) 1436 (U.S.C.A., 11th cir.)

[3] *Warren Publishing v. Microdos Data Inc.*, 115 F.3d 1509 (11th Cir. 1997) (en banc) cert. denied 118 S.Ct. 397 (1997).

[4] *Ibid., at 1525.*

notion that the more complete and comprehensive a database becomes the less it may be entitled to copyright protection. However, the apparent inequity of this doctrine is mitigated by the fact that it is probably not the only determining factor that a court would consider. Moreover, if sufficient value is added, copyright protection could still be available.

In any event, most databases that are not self defining, such as "the complete output of the Supreme Court of Canada for a specified period", are indeed less than comprehensive in a logical sense. For example, any definition of "all of the intellectual property cases in Canada" as of a given date would not be capable of algorithmic certainty, since many decisions involving advertising, competition, confidential information, defamation, and torts related to "personality", etc. would not clearly fall in or outside of the set as so defined. Moreover, such a set is but a subset of "all of the intellectual cases" in North America, and so on. The parameters for the definition of a particular database and the selection of its contents may, in some instances, require considerable intellectual effort and judgment.

As well, the U.S. courts at the appellate level have clearly stated that law publishers cannot claim copyright in legal decisions for minor value-added work such as corrections for spelling and punctuation errors, the listing of lawyers' names, "star pagination", etc.[5] More substantive contributions such as headnotes may remain protected in the U.S.A. but do not confer copyright protection to the remaining material.

Thus, the contents of non-original database are clearly not protected by copyright law in the United States. The list of examples of what is not protected seems to be growing rather than shrinking.

The *Feist* decision was a constitutional one, based upon Article 1 § 8 of the U.S. Constitution which holds that:

> The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

At the same time, U.S. courts, predictably enough on the heels of the *Feist* case, have been generally raising the threshold of originality. Consider the very important computer software case of *Lotus v. Borland*, where an appellate court held in 1992 that computer programme menus were un-copyrightable "methods of operation" that could be copied and built upon:

> The primary objective of copyright is not to reward the labour of authors, but to

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[5] *Matthew Bender & Co. v. West Publishing Co.*, 158 F. 3d 693 (1998)(2nd Cir., N.Y.) and *Matthew Bender & Co. v. West Publishing Co., ibid.* at 674.

> promote the "Progress of Science and useful Arts". To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. [6]

Another recent U.S. decision which happened to involve a Canadian company — Corel — held that there can be no copyright in high quality photographs of works of art in museums, because the whole point of such photographs are merely an accurate and exact reproduction — which may require skill but no originality.[7] *Feist* was cited prominently.

Despite the phenomenal growth[8] and prosperity of the U.S. software and information industry since 1991, *Feist* and its progeny are still very controversial in the U.S. amongst copyright owners. It is interesting to consider whether in fact the pro-competitive aspects of the *Feist* decision might actually be at least partially responsible for this phenomenal economic growth.

It is by no means clear that the U.S. can get around the *Feist* decision by enacting misappropriation or other type of intellectual property law, unless perhaps they do so to implement a treaty.[9] This may explain its great interest in the WIPO Treaty process and in convincing Canada and other countries to go forward on this, when it is having so much trouble doing so domestically.

At the end of 1999, there were two competing Bills pending in the 106th U.S. Congress. The earlier is H.R. 354 which would prohibit the extraction or making available of all or a substantial part of a collection of information, causing material harm to the primary or related market for the product of the other party. The subsequent bill is H.R. 1858, which is based upon a prohibition of duplication, sale or distribution of a database that is the duplicate of or substantially the same as and is made by extracting information from the aggrieved party's database. H.R. 1858 also includes a "misuse" defence. While H.R. 1858 seems to enjoy greater support in the academic community, it is also inherently controversial because of, *inter alia*, its lack of a stated term of protection and its attempt to vest enforcement in the Federal Trade Commission rather than in private hands, although the exclusion of private remedies is not clear. H.R. 1858 also contains a *sui generis* regime for "real time market information" in the

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[6] *Lotus v. Borland*, 788 F. Supp. 78 (1992).

[7] *The Bridgeman Art Library, Ltd. v. Corel Corporation*, 25 F. Supp. 2nd 421 (1999) (S.D.N.Y.) per Kaplan J.

[8] See *Myths and Facts about S. 2291/Title V of H.R. 2281 (used to be H.R. 2652): The Collections Of Information Antipiracy Act, Association of Research Libraries*: http://www.arl.org/info/frn/copy/myth.html

[9] *State of Missouri v. Holland*, 252 U.S. 416 (1920) 252 U.S. 416

securities market that would provide a much more favourable regime for "market information processors" than for other database owners.

There are clearly on the record a number of high level governmental constitutional and other policy objections to the type of database legislation now under consideration.[10] Even if legislation is passed in the U.S.A., it may not survive very long. However, the proponents may care only that it survives long enough to start a snowball effect elsewhere and to trigger an international treaty. Then its purpose may well have been achieved.

Europe

The EU now has Directive 96/9/EC of the European Parliament and the Council on the Legal Protection of Databases. In the manner of all EU Directives, it is mandatory and must be adopted by all member states. The UK has adopted it with their *Copyright Rights in Databases Regulations 1997.*[11] The Europeans also have their *Magill* [12] decision which held that the assertion of compilation copyright in factual television programming information was, in the circumstances, an illegal abuse of dominance and subject to compulsory licensing. The Europeans also recently blocked a U.S. $9 billion merger of Reed Elsevier and Kluwer, two of the world's three leading database companies. So, they do have high levels of protection. But, they also have high levels of antitrust enforcement in this area.

Canada

In Canada, the Federal Court of Appeal has stated in very clear language in the case of *Tele-Direct v. ABI*[13] that the informational content and organizational scheme of the Yellow Pages telephone books, as we know them, cannot be protected by copyright law in Canada. The Supreme Court of Canada refused to hear an appeal in this case. As will be seen below, subsequent Canadian cases have not completely clarified the parameters of what can and cannot be protected as a database or compilation by copyright law. However, the principle that "original" compilations can be protected remains intact.

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[10]For example, see March 18, 1999 testimony of Andrew Pincus of Department of Commerce at hearings on H.R. 354 reported at: http://www.house.gov/judiciary/106-pinc.htm

[11]S.I. 1997 No. 3032, entered into force January 1, 1998

[12]*Radio Telefis Eirann v. Independent Television Publications*, [1995] F.S.R. 530 (E.C.J.)

[13]*Tele-Direct (Publications) Inc. v. American Business Information, Inc.* (1997), 76 C.P.R. (3d) 296 affirming (1996), 74 C.P.R. (3d) 72 (hereinafter *Tele-Direct*)

International Law Generally

The 1992 NAFTA Treaty and the 1994 GATT/WTO treaties required signatories to provide copyright protection to original compilations of data, but not to the actual data itself. These treaties were being negotiated at the time the *Feist* decision came down.

There was a diplomatic conference at the World Intellectual Property Organization (WIPO) in Geneva in 1996 that resulted in two new treaties that began to address Internet related issues, namely the WIPO Copyright Treaty (WCT) and the WIPO Performers and Phonograms Treaty (WPPT). The third treaty that was on the table at that time concerned databases. It was closely modelled on the European Union Directive. However, due to many factors, including the effluxion of time and the inherent controversy of the subject matter, the database treaty was never considered at the diplomatic conference and has been "on hold" since then at WIPO.

In the light of the foregoing, I will suggest some considerations for Canadian policy makers from the user's point of view, and hopefully also a balanced point perspective.

Should Databases Be Protected Against Use by Others Without Permission and Payment?

Of course, in lawyerly fashion, the answer is a qualified yes, depending on how you **use** the word **use.**

First of all, I want to be very clear that many databases, such as the ones used by intellectual property practitioners — for example, Quicklaw, E-Carswell, Westlaw, Lexis, the Canadian Patent Reporter (C.P.R.) CD-ROM — are useful "value-added" tools. As long as there is real competition in the business, we will happily pay to use them because the price and quality should in principle, reflect the competition. None of these products, as a whole, is necessarily threatened by the current state of the law. They benefit from technological protection, the law of contract, unfair competition laws, and last but not least a considerable degree of copyright protection. The debate today is whether they should benefit from what I would call "ultra copyright" protection.

First, there is the would-be "use" right. If I buy a book, I don't need to get any further permission or make any further payment to read it, to quote or copy short or insubstantial excerpts from it for any reason or even longer portions if such copying amounts to "fair dealing". I can re-sell my copy of the book, lend it, rent it, put it on reserve in the library, copy chunks of it for interlibrary loan, and generally get my money's worth from it and share it with others it without further worry. If my law firm buys a copy, everyone can share it. This is how the world got smarter since the age of Gutenberg.

Now if someone puts that book into electronic format, all of a sudden everyone gets excited and worried and wants to create new rights and limit old uses. Why would they want to do that? The reasons is that they want to create a "use" right that would generate a payment whenever a work, or any portion of it, is "used". The other word that frequently comes up as a not too euphemistic alternative is "extracted" — a value-laden word if there ever was one. When I photocopy a small portion from a book or cut and paste an excerpt from an Internet presentation, am I "extracting" material? Is anything missing afterwards? Did I "remove" anything? Did I inflict pain on the author in the process, like a dentist "extracting" a tooth?

Why does this matter? Because a use right will result in more payments and much tighter controls on access. It will result in enormous collective transaction costs. A few pennies and dollars here and there add up quickly to a few billion. A "use" right in intellectual property law is contrary to centuries of evolution that has been based upon the "first sale" and "implied license" doctrines — namely, that once you pay for something, you have a right to use it as it was intended and to sell it to others. These are the hallmarks of all property law.

A "use" right goes in the opposite direction to the current salutary economic trend to flat rate pricing that is working so well in the telecommunications and other utility sectors that are being deregulated — where for many years and in many instances the costs of metering and billing may have far exceeded the costs of the service or the product itself. A "use" right is an exercise in new regulation, new transaction costs, and new limitation on access.

Publishers want a "use" right because they want to be able to migrate to electronic format and to metre every usage. One could concede that this would actually be attractive to consumers under certain circumstances. For example, if I needed to use the very large and expensive *Nimmer on Copyright* (which is, among other things, a enormous database on U.S. copyright law) only a few times a year, it may be uneconomical to buy it. If I could pay for it on a per use basis, this might be very attractive, if the rates are reasonable. However, this is not the way the market is developing. Rather, it seems that publishers are trying to move users into electronic media with high initial acquisition and/or very high per use costs, with little or no cost savings over traditional paper versions, and in some instances an overall price premium despite apparent cost reductions. This may suggest monopolistic behaviour.

Clearly, a publisher's profit margins on electronic publishing can be much higher than on print publishing for the simple reason that there are no "manufacturing" costs associated with paper and binding, and virtually no distribution costs, once the initial architecture, i.e. website and/or search engine and is established and paid for.

If one believes the librarians and others who pay for these things, the costs of journals, books and databases is probably going up at a very high rate, and the number

of titles that can be bought (or used) is thus going down. Meanwhile, the publishers are getting richer and the libraries are getting poorer.

Thus, the question of profit margins is very crucial. Clearly, the profit margins on electronic products, provided that they cannot easily be pirated, can be far greater than on print. In Negroponte's terms, bits, bandwidth and blank CDs are very cheap, if not virtually free, compared to paper. Paper and printing presses are still expensive.

Make no mistake about this. A "use" right is the dream of any intellectual property monopolist. It is a quantum change from intellectual property law as we have known it up until now. It is not merely a preservation of previously held rights.

Nobody wants to define a "use" right. "Use" and "utilise" are, of course, close etymological relations. H.R. 354, the latest American attempt at database protection, does not define it. United Kingdom law does not define it. Interestingly, it defines "re-utilisation" as:

> "re-utilisation", in relation to any contents of a database, means making those contents available to the public by any means.[14]

Anyone vaguely familiar with the WIPO Internet treaty debate or the "Tariff 22" Canadian Copyright Board hearing[15] will know that "making available" is a very problematic concept — especially if one is concerned with distance education, operation of a library, research or scholarship, broadcasting or providing Internet access.

In any event, what is the difference between a book and a database? How can one devise a meaningful taxonomy that logically differentiates Fox's book on copyright law, a volume of the Canadian Patent Reporter, a CD-ROM of all of the volumes of the C.P.R., an index volume of the C.P.R., and a telephone book? Which product deserves protection and which does not? What are the differences among these products? All contain useful information, organized in a useful way. Some of this information is created by judges (who are the one group that claims no royalties), some of it by lawyers and/or editors, some of it by clerks, and some of it by computers. The main differences appear to be in the degree of original authorship involved. The telephone book has virtually none, as the courts have determined. The others vary. The content in each publication is supposedly accurate, non-fictional reliable "information". None of it is of the slightest "use" to anyone if it cannot be "extracted" in finite portions for

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[14] *Supra*, note 11, s. 12.

[15] Proposed tariff filed by SOCAN relating to the communication to the public by telecommunication (i.e. performance) of music on the Internet. A preliminary decision by the Copyright Board was released on October 27, 1999 and is available at http://www.cb-cda.gc.ca

particular purposes at particular times and "used" or "utilized" or "re-utilized" in the various ways that we as lawyers, for example, go about our work.

Any comprehensive definition of database is bound to catch some rather strange fish in its net. For example, it is unclear even under the new English law whether the definition of database does or does not cover only electronic databases — it might cover traditional paper versions. If so, an ordinary newspaper in paper format would be a database. [16] Is this sensible or even intended?

On the other extreme, consider the Internet itself. It is a database, by any current definition. Who created the database? Who owns it? Would search engine owners become proprietors of this enormous database? Should website owners get a royalty whenever their site is browsed? Did any of them ask for such a thing? Maybe this is not a bad idea. But doubtless it is not the intention of the WIPO database proposal or any of the other proposals or laws now in effect. On the other hand, maybe it is indeed!

The proponents of database protection start with a big contradiction — they want a greater degree of protection for a lesser degree of creativity. They admit (or should admit) that they want protection for non-original material, since they already have protection for much value-added material. When one looks look at what form of protection they want, it is **more**, not less, for **non-original** material than traditional copyright law has ever accorded to clearly **original** material.

They say that there should be a right of "extraction" and "utilization", etc. What is a right of extraction?

The UK law defines it as:

> "extraction", in relation to any contents of a database, means the permanent or temporary transfer of those contents to another medium by any means or in any form[17]

This is more or less identical to the proposed WIPO definition:

> "extraction" means the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form.[18]

In the WIPO definition, note that "substantial part" would have been defined as:

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[16] *Copinger and Skone James on* Copyright, 14th ed., vol. 1 (London: Sweet and Maxwell, 1999) at 905.

[17] *Supra*, note 14, s. 12 (UK).

[18] See Article 2 (ii) of WIPO Document CRNR/DC/6 August 30, 1996 available at: http://www.wipo.int/eng/main.htm

> "substantial part", in reference to the contents of a database, means any portion of the database, including an accumulation of small portions, that is of qualitative or quantitative significance to the value of the database.[19]

Clearly this is problematic. For example, in a database that consists of all of the legal decisions of the Supreme Court of Canada, each single decision and indeed, in a literal sense, each word of each single decision is of vital qualitative or quantitative significance to the value of the database. The value of the database lies essentially in its completeness and its integrity. A researcher needs to know that a correctly framed query will generate an accurate response. A list of cases that is missing one case that ought to be there is of no use and may be actually dangerous from a research standpoint. Therefore, every part of the database is of importance. The same would be true for all databases that purport to be complete or at least comprehensive within specified parameters.

Indeed, even a single small portion of a database can be of great significance to its value. The actual outcome of a legal case (perhaps a few words) or a few key numbers in a stock market report can be of inestimable value. Taken literally, the WIPO treaty would create exclusive property rights in such information. The user would be unable to freely deal with such information. That is the very point of the proposed treaty.

The proposed WIPO database treaty initiative can readily be seen to be an attempt by the Americans and the Europeans to "undo" the *Feist* decision and some inconvenient antitrust law in Europe and to go, arguably, beyond where the law stood "before *Feist*". If the "extraction right" is as sweeping as its critics maintain, then even the lawful user of a database would be limited in doing anything with the results of the query or usage. Proposed Article 3(1) of the former WIPO text states:

> (1) The maker of a database eligible for protection under this Treaty shall have the right to authorize or prohibit the extraction or utilization of its contents.

The WIPO proposal for exceptions was insufficient to placate the critics. Article 5 would have provided:

> (1) Contracting Parties may, in their national legislation, provide exceptions to or limitations of the rights provided in this Treaty in certain special cases that do not conflict with the normal exploitation of the database and do not unreasonably prejudice the legitimate interests of the right holder.

This, of course, begs the question of what is the "normal expectation" or "legitimate interest" of the rights holder. After all, West's business is based upon use of the

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[19] *Ibid.* Article 2 (v).

information extracted from their databases. For example, if a subscriber to Westlaw were to extract a list of all U.S. cases dealing with the intellectual property protection of databases, could the subscriber "utilize" the resulting list and information in a publication without permission of West? Under the currently proposed U.S. legislation and the WIPO proposed treaty, the answer is probably "no", unless explicitly permitted by contract.

For example, if the researcher were to "reutilize" the list of cases in an article, it could be argued that this would prejudice the normal expectation of the database owner because there might be fewer revenue-generating queries for such information in the future. It is not clear what "utilize" means in the various formulations as proposed by WIPO, the EU and the U.S.. Does this mean solely a literal reproduction of the database response (i.e. the list of cases), or could it even extend, as the word literally suggests, to "utilization" of the information for analytical purposes (a commentary on the cases in the list). Either way, the database provider could argue that it has lost potential revenues from revenue generating queries from others who are interested in this information.[20]

What could a third party do with this information? This answer is unclear.

It is important to note that offers of exemptions for educational or non-profit entities do not address the fundamental problem, which is the conferral of a property right where none had ever existed before. Moreover, such entities are a key target market of some database owners. Commercial users will not tolerate such new inhibitions on their research and reporting functions, once they are completely aware of the significance of such measures.

Another key point to consider is that every model of database protection thus far has provided, in effect, for perpetual protection. This is because, even with a stated term, the period of protection is extended to a fresh new term by a substantial change or accumulation of changes that result in a substantial change.[21] Most databases are constantly being updated in this manner.

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[20]The WIPO draft would define "utilization" as follows: "utilization" means the making available to the public of all or a substantial part of the contents of a database by any means, including by the distribution of copies, by renting, or by on-line or other forms of transmission, including making the same available to the public at a place and at a time individually chosen by each member of the public.

[21]For example, see U.K. *Copyright and Rights in Databases Regulations* 1997, s. 17.

What Should the Test of "Originality" Be in Order for a Database to Be Protected?

We have a test already in place. It is found in the NAFTA Treaty[22] and the WTO (GATT) Treaty.[23] Let us look at the WTO and NAFTA language.

In fact, the WTO Treaty, which was concluded at Marakesh in April of 1994, dealt specifically with the subject of compilations of data as follows in Article 10 of the TRIPS portion of the Agreement:

> 2. Compilations of data or other material, whether in machine readable or other form, which **by reason of the selection or arrangement** of their contents constitute **intellectual creations** shall be protected as such. Such protection, **which shall not extend to the data or material itself,** shall be without prejudice to any copyright subsisting in the data or material itself. (emphasis added)

The 1992 NAFTA treaty, which binds Canada, the U.S. and Mexico, provides as follows:

> Article 1705: Copyright
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> 1. Each Party shall protect the works covered by Article 2 of the Berne Convention, including any other works that embody **original expression** within the meaning of that Convention. In particular:
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> (a) all types of computer programs are literary works within the meaning of the Berne Convention and each Party shall protect them as such; and
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> (b) compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute **intellectual creations**, shall be protected as such.
>
> The protection a Party provides under subparagraph (b) **shall not extend to the data or material itself**, or prejudice any copyright subsisting in that data or material. (emphasis added)

Clearly, these provisions were focussed at protecting "original" works. Both of these treaties came into existence after the *Feist* decision by governments whose negotiators were presumably aware of the implications of *Feist.*

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[22]North American Free Trade Agreement Between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America (NAFTA), [1994] Can.T.S. No. 2.

[23]The "TRIPS" agreement on intellectual property can be readily found at http://www.wto.org/wto/intellec/1-ipcon.htm

There are non-trivial and non-obvious constitutional questions that arise if the federal government is to go about granting copyright protection or *sui generis* protection in lieu of copyright to material that is outside of the scope of copyright protection.[24] The constitutionality of federal intellectual property protection for databases has been clearly called into question by a number of high level officials in the U.S. in the course of various open letters that were filed during congressional hearings on H.R. 2652, the precursor to the Hr. 354 and 1858 in the present (106th) congress.[25]

In any event, leaving aside such "details" as trade and constitutional law, what should be the standard of originality for database protection? In my submission, it should remain unchanged in Canada, and the U.S., as enunciated in a long line of court cases based upon legislation that dates back many decades. If we need to draw a bright line, this should be done from time to time by the courts rather than the bureaucrats. The courts, frankly, have done a better job.

Our courts have commented on the nexus of trade treaty and domestic intellectual property law. In *Tele-Direct*, the Court of Appeal, per Décary, J.A., notes that:

> The 1993 amendments may not be without significance, even though they were down-played by counsel who considered them to be a mere codification of the existing law. Prior to these amendments, "compilations" were seen as "literary works" and courts had therefore to find a way to relate them to literary works. Since the amendments, "compilations" may be related to artistic, dramatic and musical works as well as to literary works, with the result that earlier cases which examined compilations of data as being part of literary works must now be applied with caution: it could be that compilations which did not previously qualify for copyright protection would qualify under the new definition.
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> More importantly, the addition of the definition of "compilation" insofar as it relates to a work resulting "from the selection or arrangement of data" appears to me to have decided the battle which was shaping up in Canada between partisans of the "creativity" doctrine – according to which compilations must possess at least some minimal degree of creativity – and the partisans of the "industrious collection" or "sweat of the brow" doctrine – wherein copyright is a reward for the hard work that goes into compiling facts...

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[24]W. Noel and L. Davis, *Some Constitutional Considerations in Canadian Copyright Law Revision* (1981), 54 C.P.R. (2d) 17

[25]For example, see Andrew J. Pincus' letter to Patrick Leahy of August 4, 1998. Reproduced at http://www.arl.org/info/frn/copy/asa.html. Bill H.R. 2652, Collections of Information Antipiracy Act, 2nd sess., 105th Congress, 1998 (passed House of Representatives 19 May 1998); under consideration in the Senate, Bill S. 2291.

> Clearly, what the parties to the Agreement wanted to protect were compilations of data that "embody original expression within the meaning of [the Berne] Convention" and that constitute "intellectual creations". The use of these last two words is most revealing: compilations of data are to be measured by standards of intellect and creativity. As these standards were already present in Anglo-Canadian jurisprudence, I can only assume that the Canadian government in signing the Agreement, and the Canadian Parliament in adopting the 1993 amendments to the *Copyright Act* expected the Court to follow the "creativity" school of cases rather than the "industrious collection" school.[26]

Clearly, the Federal Court of Appeal has raised the threshold of required originality in respect of databases that can be protected by copyright. Mere "sweat of the brow" no longer suffices.

Mr. Justice Décary then goes on to make some additional very important comments which are probably *obiter dicta*:

> Another impact of the 1993 amendments may well be that more assistance can henceforth be sought from authoritative decisions of the United States courts when interpreting these very provisions that were amended or added in the *Copyright Act* in order to implement NAFTA. I do not wish to be interpreted as saying that Canadian courts, when interpreting these provisions, should move away from following the Anglo-Canadian trend. I am only suggesting that where feasible without departing from fundamental principles, Canadian courts should not hesitate to adopt an interpretation that satisfies both the Anglo-Canadian standards and the American standards where, as here, it appears that the wording of Article 1705 of NAFTA and, by extension, of the added definition of "compilation" in the Canadian Copyright Act, tracks to a certain extent the wording of the definition of "compilation" found in the United State's *Copyrights Act*. I note that contrary to what happened in Canada, the United States did not find it necessary in order to implement NAFTA to amend the definition of "compilation" which they already had in their legislation.[27]

The recent decision of the Federal Court of Canada (Trial Division) in *Hager v. ECW*[28] is interesting in this context not so much because of its fact situation (which did not involve compilations or a database) but because of the bold arguments (arising out of *Tele-Direct*) advanced. Mme Justice Reed chose to deal with these in some detail. The defendant had copied a substantial amount of interview material that the plaintiff had obtained from Shania Twain, and sought to argue, *inter alia,* that such material could not be protected by copyright because, *inter alia*, it was simply a series of facts. The defence relied heavily on *Tele-Direct*. Mme Justice Reed stated:

> I do not interpret the *Tele-Direct* decision as having such a broad effect. In both the United States and Canada, jurisprudence has defined the requirement that copyright be

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[26] *Supra*, note 13 at 301-03 (references omitted).

[27] *Ibid.*, at 304 (references omitted).

[28] *Hager v. ECW Press Ltd. et al* (1998), 85 C.P.R. (3d) 289 (F.C.)

granted in an "original" work, as meaning that the work originate from the author and that it not be copied from another. In the United States this was initially the result of case law; the statutory requirement of "originality" was only added in 1976. The requirement that a work be "original" has been a statutory requirement in Canada since 1924 when the *Copyright Act* enacted in 1921 came into force. That Act was largely copied from the United Kingdom *Copyright Act* of 1911. **I am not persuaded that the Federal Court of Appeal intended a significant departure from the pre-existing law.**[29] **In the absence of an express decision from the Court of Appeal to the contrary, I think the law as set out in *Express Newspapers* and *Gould Estate* is still the law.**

One reason for being cautious about not over-extending the *Tele-Direct* decision is that it deals with an entirely different type of work from those in issue in this case. It deals with a compilation of data (a sub-compilation of the yellow pages of a telephone directory). **The appropriate test to be applied when copyright is claimed for works that consist of compilations of data has been a difficult area. This is because such works are not likely to exhibit, on their face, indicia of the author's personal style or manner of expression**

In the *Tele-Direct* decision the Court of Appeal indicated that the issue before it had arisen because of the amendments to the *Copyright Act* enacted in 1993 as part of the *North American Free Trade Agreement Implementation Act* (S.C. 1993, c. 44, s. 53). The Court noted that one of the elements required under that Agreement was the protection by copyright of data bases, the Court questioned at paragraph 16 whether in fact the amendments had been drafted to effectively accomplish this objective. Interestingly, there is now a Bill before the United States Congress to overrule the decision of the United States Supreme Court in *Feist Publications, Inc.* v. *Rural Telephone Service Co., Inc.*, 111 S.Ct. 1282 (1991), a decision in that country that had a result similar to Tele-Direct in this. There is debate among both United States and

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[29]There has been considerable debate as to whether *Feist* changed the pre-existing law in the United States in a dramatic fashion or merely added a minor gloss for databases. H.P. Knopf, "Limits on the Nature and Scope of Copyright", in G.F. Henderson, ed., *Copyright and Confidential Information Law of Canada* (Toronto: Carswell, 1994) 229 at 240, suggests the former. H.B. Abrams,"Originality and Creativity in Copyright Law", (1992) 55 Law & Contemp. Prob. 3 at 43, states that *Feist* constitutes a fundamental re-examination and reformulation of the concept of originality applicable to all works of authorship, but he concludes that the decision will really have little effect, even on compilations, because the creativity component can be easily satisfied. In Goldstein's *Copyright*, 2nd ed. (New York: Aspen Law & Business) Section 2.2.1 the *Feist* decision is described as a "significant departure from precedent" while at the same time evidencing "an intention to immunize most classes of copyrightable works from case-by-case scrutiny for creative content." Opposing views on the merits of the *Feist* decision are found in David Allsebrook, "Originality is 'No Sweat': Originality in the Canadian Law of Copyright" (1992) 9 Can. Intell. Prop. Rev. 270, and Norman Siebrasse, "Copyright in Facts and Information: *Feist* Publications is Not, and Should Not Be, the Law in Canada", (1994) 11 Can. Intell. Prop. Rev. 191. An analysis of the decision is also found in Pamela Samuelson, "The Originality Standard for Literary Works Under U.S. Copyright Law", (1994) 42 Am. J. Comp. L. 393.

> Canadian authors as to whether the *Feist* decision is limited to database type cases or will have wider ramifications. **Given this context and the express references in *Tele-direct* to NAFTA and the implementation of that agreement, I am persuaded that the statements in Tele-Direct were not intended to effect a major change in the pre-existing jurisprudence.**[30]
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> (Emphasis added)

Significantly, Mme Justice Reed clarifies that originality will not necessarily be more difficult to establish post-*Feist* and post *Tele-Direct* where there is a type of work involved that reflects the "author's personal style or manner of expression".

The Canadian and American courts have generally done quite well with the threshold of originality issue in recent years, unless one is explicitly of the belief that mere alphabetical lists of phone numbers and similar databases that are devoid of sufficient creativity should merit copyright protection, if not more. The *B.C. Jockey Club*[31] case might still be decided the same way, after *Tele-Direct*, as would Slumber-Magic.[32]. Whether or not *U. & R. Tax v. H. & R. Block*[33] is still good law is less clear, but that was not a compilation case as such, and Richard, J., as he then was, did not mention *Feist* and its progeny in the judgment. There was an explicit finding in this judgment that the plaintiffs had used "labour, skill and judgment".[34]

Since this paper was delivered, Gibson, J. of the Federal Court of Canada (Trial Division) has upheld a claim of copyright in a compilation consisting of a telephone book type of directory of the names of Canadian residents of Italian descent, based upon a finding that:

> By contrast with the white pages described in the foregoing quotation from *Feist*, the white pages listings in the Guidas were not "entirely typical". They were not listings of all persons, in a particular geographical area, desiring telephone service. The plaintiff did not simply take the data provided by subscribers and list that data alphabetically by surname. In the result, I am satisfied that the end product was not a "garden-variety white pages directory, devoid of even the slightest trace of creativity". The process involved skill, judgment and labour. That the skill and judgment involved might not have been of a high order is, I am satisfied, of no account. It was sufficient to provide originality in the resulting literary work.[35]

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[30] *Ibid.*, at 304 (references omitted).

[31] *British Columbia Jockey Club et al. v. Standen* (1985), 8 C.P.R. (3d) 283 affirming 73 C.P.R. (2d) 164.

[32] *Slumber-Magic Adjustable Bed Co. v. Sleep-King Adjustable Bed Co.* (1984), 3 C.P.R. (3d) 81.

[33] *U & R Tax Services Ltd. v. H & R Block Canada Inc.* (1995), 62 C.P.R. (3d) 257.

[34] *Ibid* at 265

[35] Ital-Press Ltd. v. Sicoli, (1999) 86 C.P.R. (3d) 129 at 165.

Interestingly , a few months later, Gibson, J. held that editorial work involved in publishing legal decisions (reasons for judgment), **including headnotes** lacks sufficient "imagination" or 'creative spark" to "be essential to a finding of originality" and on the basis that:

> I am satisfied that the whole process, particularly those elements involving skill and judgment, lacked the "imagination" or "creative spark" that I determine to now be essential to a finding of originality. I am satisfied that editorially enhanced judicial decisions should be measured by a standard of intellect and creativity in determining whether they give rise to copyright, in the same way as compilations of data might be said to be measured following the decision of the Federal Court of Appeal in *Tele-Direct* .[36]

And that:

> Here, whether or not the reasons for judgment in issue can be descri[b]ed as opinions for legal research, faithfulness to the original, whether or not in the public domain, is the dominant editorial value and thus, the creative "is the enemy of the true".(reference omitted) [37]

A similar finding was made with respect to **cases summaries and topical cases indices.**[38]

Presumably because the Court was being asked to rule on the copying of individual decisions and not a collection of decisions, the Court does not provide any explicit pronouncement on the question of copyright in compilations of decisions that would constitute a database. However, the foregoing passages seem to suggest that the answer would still continue to depend on the degree of "intellect and creativity" exercised in undertaking the compilation of such a collection of decisions, consistent with *Tele-Direct* and with current American law. Indeed, the somewhat surprising finding with respect to headnotes is tempered and put into perspective by an explicit finding on the evidence that copyright does exist in an "annotated statutory instrument containing commentary, citations and summaries of relevant case law, that is Martin's Ontario Criminal Practice 1999", in which Gibson, J. found "originality, creativity and ingenuity appropriate to the existence of copyright."[39] Accordingly, nothing in this decision necessarily suggests that copyright cannot exist in a **compilation** of individually unprotected edited law reports and headnotes, taken together as a whole, when the compilation as such exhibits sufficient originality with respect, for example, to the selection of cases to be reported. In such circumstances, copying of the whole or

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[36] *CCH Canadian Limited et al. V. Law Society of Upper Canada,* [1999] F.C.J. No. 1647, judgment released November 9, 1999, unreported, para. 139.

[37] Ibid, para. 140

[38] Ibid, para. 142.

[39] Ibid, para. 143.

a substantial part of the compilation (not simply a few cases) could still constitute infringement. Accordingly, publishers need not necessarily fear that the floodgates are now open to the piracy of their entire law reports all at once.

Gibson, J. explicitly and extensively referred to *Tele-Direct, Ital-Press, Hager*, the NAFTA Treaty, the Berne Convention and many other authorities and references in the very lengthy judgment. With an apparent eye on the appellate courts, he specifically indicates that, on the basis of the evidence and the sophisticated argument before him, he is taking a "broader interpretation of "originality"" than he did in *Ital-Press*.[40] This judgment is being both appealed and cross-appealed.

What should Canada do about protecting databases?

Canadian officials and ministers may wish to consider the following:

- There is a "public good" aspect to much of the data produced and used by researchers and business in Canada, who include law firms, universities, corporations and countless others, More than most countries, much of this data was produced with taxpayers dollars. The professors or public servants who produced the data are typically holders of secure positions who are employed by taxpayers to do such research.[41] There will be more optimal resource allocation in the free dissemination and access to this data than in the conferral of artificial property rights on it, and the resulting additional transactional costs and multiple payments for its creation and use.

- The Canadian government, to its credit, has begun to recognize the public good aspect of certain databases, such as its statutes and legal decisions, and its trademarks and patent registrations. These are now available on the Internet for "free" and are receiving accolades. Industry Canada and the Department of Justice should be recognized for this achievement. The legal profession are not only not threatened but grateful. This is a very salutary development and should not be reversed. However there are exception to this public good philosophy as governments sometimes without apparent reason license out or sell public information under less than efficient circumstances under the rubric of "cost recovery".

- As long as there is an incentive to provide value added service to this data, business will do so and will compete on the basis of this added value and price, rather than compete on the basis of which company has been clever enough or lucky enough to monopolize, via an excessive license, certain valuable sources of data that may

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[40]Ibid, para. 137.

[41]See H.W. Arthurs. *Copyright in Transition: A Crisis for Canadian Scholarship*, Proceedings of CIPI Conference, October 13, 1994.

have been generated in whole or in part by public funds.

- Competitiveness in research and innovation will be best achieved by the fastest and lowest cost access to data and non-original databases. Canadians should not put themselves at any disadvantage *vis à vis* other competitive jurisdictions. In particular, it would be an act of self-inflicted harm for Canada to get "out in front" of the USA on this issue and to confer greater rights in databases than may transpire in that country.

- There are already many technological solutions to database piracy in place, supported by contractual arrangements. It is unnecessary to have a statutory "right of extraction" when virtually all commercial databases already have a technical limitation on the ability to extract data without appropriate payment.

- There has been virtually no published analytical consideration by the government to date with respect to pertinent competition and antitrust law issues in Canada. The conferral of a *sui generis* intellectual property right or even a misappropriation model based right on fact-based material will likely lead to monopolistic aggregations of databases by players who already have powerful positions in this and related industries. Bill Gates, Thomson, Kluwer and Reed-Elsevier are prominent examples. Who can blame them? Gates has recently invested heavily in "digital rights" to databases of public domain photographs and the public domain holdings of many museums.[42] There is an apparent tendency for large database interests to attempt to contractually acquire exclusive access to information that would otherwise be freely available or even in the public domain. By controlling such access, and conferring a property right on the result, it then becomes possible to acquire and enforce monopolistic rights in such sectors as images of the public domain contents of museums and photographic databases, thousands of scholarly journals, raw data produced by satellites or other measuring devices of importance in meteorology, environmental monitoring, financial, and a myriad of other sectors.

- The major database owners have shown a tendency to use their enormously high returns to acquire many smaller database owners, a warning sign of anticompetitive behaviour.

- Scholarly journals — which in the end are probably prime examples of "databases" — have recently become far more expensive. Reports of certain "essential" journal subscriptions costing $15,000 a year or more are heard regularly.

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[42]See http://www.corbis.com. Corbis was set up by Bill Gates. See http://www.forbes.com/Forbes/97/1103/6010046a.htm

- There is great concern over "sole source" and niche databases. These are situations wherein the database owner has acquired, through contract or other means, sole access to valuable information, or at least sole access to it an efficient manner (i.e. in digital form). While governments are becoming increasingly sensitive to the dangers of such situations where the information is of a public good nature (i.e. statutes, judicial decisions), business may be tempted to encourage such arrangements. If the information is essential to research, then profound questions can be raised as to whether such information should become "proprietary" merely because it is incorporated into a database. Nobody would suggest that original databases be capable of being pirated in whole or substantial part. However, it is quite another matter to confer intellectual property protection on the "facts" in a sole source database because a commercial enterprise has managed to contractually acquire sole access to these facts.

- The argument that the conferral of a property right on factual information and that a property rights based regime will make the production and exploitation of such information more efficient is simply circular. If there was evidence of a market failure in the database industry, the argument might be worthy of consideration. However, the evidence is precisely the opposite. The picture is rather one of a very profitable oligopoly already enjoying monopoly rents and using this income to achieve further concentration through numerous mergers and acquisitions.

- Moreover, such an argument flies in the face of the absolutely basic notion that ideas and facts, *per se*, must not be monopolized by intellectual property protection. This has been the entire basis of the limited rights given under patent and copyright regimes for centuries. An idea cannot be patented unless it gives rise to a new, useful, and non-obvious invention that can be shown to be workable and can be precisely described. Nor can an idea or a fact, or a number of facts, be capable of copyright protection. Only a creative form of expression of such ideas or facts can be protected, never the underlying information.

- The database initiative, if it succeeds, would represent one of the greatest upheavals in sound intellectual property policy in modern history, without any demonstrated empirical or theoretical basis.

- In fact, a strong argument can be made that the health of the American and European database industries is a direct result of the lowering of the threshold of protection as a result of *Feist*. This decision, along with the advent of the Internet, have forced these industries to update their technology, their interfaces, and their delivery systems. It has made them more competitive in certain respects.

- While the Europeans may have been influenced by the Americans to enact their directive, and the directive is in turn being implemented by the EU member states, its significance is not yet fully known. Moreover, any discussion of the European

situation must take into account their very active antitrust enforcement, which goes far beyond that in North America. For example, the *Magill*[43] decision would prevent overly zealous enforcement of database rights in Europe. Moreover, the Europeans, as noted, blocked the Reed-Elsevier/Kluwer merger while the Americans permitted the Thomson/West merger.

The argument will, of course, be made that Canada must have a *sui generis* database law because the Europeans have one, and they have a material reciprocity provision, and they are bigger than we are, and we want to go global, etc. This is the same type of logic that brought integrated circuit protection to the world, a dead letter issue if there ever was one. The difference is that this issue has a greater potential for economic harm, and we should know better. In any event, the rather embarrassing and ultimately futile effort at *sui generis* chip protection was basically an effort to dilute traditional patent and copyright protection — not to go beyond it. Besides, we now have NAFTA and WTO, and that this the real clincher, because the EU Database Directive may violate international trade law.

There is good reason to believe that the reciprocity provisions of the European Database Directive[44] violate trade law, according the following excerpt from Prof. Pam Samuelson's open letter to Rep. Coble of October 23, 1997:[45]

> There are several reasons why the reciprocity threat is more imagined than real. For one thing, U.S. database companies will continue to be able to rely on copyright, contract, and unfair competition law to protect their databases from market-destructive appropriations in member states of the E.U. For another, the idea that European companies are lying in wait for January 1998 in hopes of sucking all of the valuable data out of U.S. databases unless the U.S. has adopted an equivalent database law by then is utterly fantastic. It beggars the imagination to think that a European court would find such conduct, even if it occurred, to be acceptable. And in the unlikely event a court found such conduct tolerable, the U.S. could challenge lack of enforcement before the World Trade Organization (WTO) as an outrageous nontariff barrier to trade in violation of the national treatment clause of the Paris Convention for the Protection of Industrial Property, as incorporated by reference in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) annexed to the WTO Agreement and under Article 20d of GATT 1994. See, e.g., Charles R. McManis, "Taking TRIPS on the Information Superhighway: International Intellectual Property Protection and Emerging Computer Technology", 41 Villanova L. Rev. 207, 253-62 (1996).
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> In addition to being in violation of numerous international agreements, the reciprocity

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[43] *Supra* note 12.

[44] Directive 96/9/EC of the European Parliament and the Council on the Legal Protection of Database, Article 11.

[45] http://www.arl.org/info/frn/copy/psamlet.html

clause of the European database directive has been a substantial political blunder in the international intellectual property policy arena, as witnessed by the embarrassing failure of the E.U.-inspired initiative at the WIPO diplomatic conference held in Geneva in December 1996. Having learned its lesson from having made a similar mistake when enacting the *Semiconductor Chip Protection Act* of 1984, the U.S. has more recently taken the high ground in international discussions by being steadfast in promoting national treatment (granting the works of foreign nationals as much legal protection as a nation accords to its own nationals) as the appropriate nor m in national intellectual property laws and in international agreements. Rather than feeling coerced to comply with an unreasonable European reciprocity provision, the U.S. should challenge reciprocity-based norms and insist that when nations wish to establish new international intellectual property norms, they should use the good offices of WIPO and the TRIPS Council to build consensus for those norms.

Thus, the reciprocity provision of the European database directive is not a reason for rush on domestic database legislation. The U.S. should approach database legislation in a measured and balanced way incorporating our historical preference for the free exchange of ideas and information while recognizing a need to correct market inefficiencies where they can be shown to exist.

- Make no mistake: the proponents of database *sui generis* legislation are asking for something truly historic — the fencing off of raw information, unadorned knowledge, bare facts, crude data and many other things that hitherto have been purposely left in the public domain as a public good and with positive results.

- The most compelling argument on behalf the database industry for a new form of protection is that the current state of the case law punishes a provider for total comprehensiveness, where it can be shown that there is insufficient intellectual input in terms of selection or arrangement. It is not yet clear that a comprehensive database comprised of several less comprehensive databases would receive less protection than its component parts. However, even if this should be true, it will still remain open to comprehensive aggregators of information to add sufficient value in terms of content, presentation and efficiency of access. This can be rewarded by subscriptions and protected, additionally, by technological means. This is, in fact, the current norm.

- Finally, the major database providers are doing extremely well financially and billions are being poured into investments and taken out in profits in this explosively growing industry — with no guarantee whatsoever that the law will be changed to make the climate even better for owners. Canada's Thomson Corporation recently spent over $4 billion U.S. on a database investment — Westlaw — and is very pleased with the results. In their 1997 annual report, Thomson noted:

> Earnings, excluding disposal gains, net of tax, were 30% ahead of the previous year

and passed the US$500 million milestone.

West exceeded our expectations and made a positive contribution to earnings in the first full year of our ownership.

Conclusion

Whatever Canada does or does not do, either domestically or internationally, should be an informed decision. In terms of joining controversial treaties, we have recently signed (though not yet ratified) the two 1996 WIPO treaties relating to copyright and neighbouring rights on the Internet on the basis of only token consultation and no published analysis. Thus far, we have on record from the Government only the most brief and unsupported conclusions as to what changes might be needed to ratify these treaties.[46]

Academically, we are off to a better start on databases, with Prof. Howell's study.[47] However, while useful in many ways, it does not deal with such crucial issues as competition or anti-trust law, constitutional law, trade law and the UK developments.

It is necessary to consider that overprotection may be more harmful than under-protection. If there is under-protection, there is no obvious evidence of it in the market place. If we provide over-protection, there will be no incentive to add value to databases, but rather simply to acquire them and to license them at the maximum price upon the least generous conditions of access. Under-protection can always be quickly remedied if the need is proven. Over-protection cannot, for practical purposes, ever be repealed or reversed (short of massive and rarely successful antitrust intervention) once rights or expectations have become vested.

We need adequate comparative law analysis. We need adequate economic analysis. And we need to have patience. There is no market failure and no crisis requiring quick action. The current state of the law continues to permit the protection of databases, even comprised largely of unprotected material, if they entail sufficient originality in terms of selection and arrangement, or incorporate sufficient added value. Above all, there is no need to advance the agenda of the Americans and the Europeans and a handful of multinationals unless it is also in Canada's overall interest to do so.

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[46]See L. Harris and J. Daniel: *Discussion Paper on the Implementation of the WIPO Performances and Phonograms Treaty and Discussion Paper on the Implementation of the WIPO Copyright Treaty* available at http://strategis.gc.ca

[47]Robert Howell, *Database Protection and Canadian Laws*, June 15, 1998 published at http://strategis.gc.ca