

CHAPTER 7A DATABASES AND MISAPPROPRIATION

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Copyright law creates in an author the exclusive right to reproduce the expression contained in a copyrightable work, but excludes any protection for any of the ideas or facts expressed. This dichotomy, especially in the treatment of "facts", significantly limits the scope of rights created for information products of all types, but has special significance in reference to works whose primary value lies in the factual materials reported, discovered, or described. The exclusion of facts from copyright protection reflects a fundamental policy choice in copyright law. The choice to require "original" expression and to protect that aspect of a work of authorship was described by the Supreme Court¹ as a constitutional underpinning of the copyright system and, therefore, an inherent attribute of any copyright regime in this country.

Whether or not it deals with a constitutional mandate, however, the basic framework of the choice made in copyright law can be expressed in relatively straightforward form. Copyright protection centers on the portions of an information product that reflect the exercise of judgment and taste in reporting and describing factual or other information, but not the data itself. The fundamental policy holds that the unique choices made by the author cannot be copied, but that facts reported and published are in the public domain, free for general use. Essentially, pursuant to a goal of promoting authorship in general, the rewards (rights) held available for a particular author are circumscribed by a desire to retain for public use and availability those aspects of a work that represent factual material on which subsequent authors can build subsequent works. The author protects and controls her personally chosen form of description, but what is described cannot be controlled by the author; it provides the building blocks of authorship by others.

The copyright policy choice does not suggest that facts, their discovery, collation or reporting, are unimportant, but that the value inherent in any factual material must be preserved at least in part for the public, rather than given over by copyright to the individual. Indeed, one might describe the policy decision as a judgment that facts (and ideas) are too important to allow a single author to obtain through copyright any exclusivity in the reproduction or distribution of the material. This same choice generates the principle that copyright does not give any author a right to control use of the author's work, but only rights to control copying and related activity. In dealing with factual works, of course, one primary value involves the ability to use the factual material for one's own purpose. The right to control use may arise under patent or other law, but not copyright.

Copyright law coverage does extend to fact-based works of authorship, of course. One recurring issue in case law since the early 1980's involves an effort by courts to draw meaningfully the distinction between protected expression and unprotected fact. This distinction must be recurrently drawn in a continually expanding realm of factual publications, including both traditional writings about factual events, and the burgeoning field of databases and computer lists whose importance arises from being a collection of facts or readily accessible in form.

In fact-based works, protected expression might exist in either or both of two levels. The first deals with individual items or descriptions in a database or other work. The second deals with the manner in which materials are collected or organized as a whole. Both aspects

¹ Feist Publ., Inc. v. Rural Telephone Service Co., 499 U.S. 340, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991).

of a factual work are separately protected if they contain creative, original elements that qualify as expression. Indeed, in a database or other compilation, rights may vest in different persons for different aspects of a single database or other factual work. As to individual items, basic standards of authorship require that the description of the item contain expression and that this expression can be protected without indirectly protecting ideas, processes, or facts.² Separate authorship as to the collection may vest based on the selection, arrangement, and coordination of the database as a whole if this selection and organization satisfies standards of originality.

[1] Copyright in Individual Items

Copyright protects form but not substance. When dealing with individual parts of a factual work, the form in which the material is expressed contains the potentially creative expression; the substance consists of the "information" or "knowledge" conveyed, the factual content which is not protected.

In factual works, of course, there are many ways that a distinction between form and substance arises. For example, a description of a disaster in Italy could read:

"On June 2, the predictable happened. The Tower of Piza fell after hundreds of years. Falling bricks and metal maimed thousands of people. The sky, turned brown by the dust, resonated with the screams of the injured throughout the morning."

An alternative way of describing the disaster at Piza would be:

"June 2, 1999: Piza, Italy. Tower fell; 1100 people injured."

In the lengthier first paragraph, the overall description may represent protected expression, but the fact that the Tower of Piza fell on June 2 is not protected under any circumstances in either of the two alternatives. The abbreviated second paragraph, comes close and may cross over the boundary between protected expression and unprotected "pure" fact. One can, quite readily, anticipate many ways in which that factual event could be described, referred to, used, or be invoked in works of fact or fiction in the future. The author of the first paragraph can lay no claim to the fact of what occurred. The author only obtains property rights in the form in which he expressed the occurrence.

A white pages telephone directory presents the clearest case of individual items that lack expressive content. Each entry merely contains a name, address and telephone number, leaving no opportunity for creative expression. In essence, each entry contains raw data, nothing more. Individual items are not protected. This same conclusion extends to other "raw fact" items contained in other modern databases. Thus, a federal court held that no copyright existed in cards that collected five limited items of information about individual issues of public bonds where the five items were objective facts whose collection together was a result of marketplace dynamics.³

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[a] Merger and Creative Display or Text

The key inquiry consists of identifying what type of creative judgment qualifies the result for treatment as protected expression.

Traditionally, the focus has been on how the factual material was displayed (in images) or described (in text). The more that the particular item contains descriptive or visual elements

² See generally Ginsburg, "Creation and Commercial Value: Copyright Protection of Works of Information," 90 Colum. L. Rev. 1865 (1990); Denicola, "Copyright in Collections of Facts: A Theory for Protection of Nonfiction Literary Works," 81 Colum. L. Rev. 516 (1981).

³ *Financial Information, Inc. v. Moody's Investors Service, Inc.*, 808 F2d 204 (2d Cir. 1986).

that are not **necessary** to describing the underlying fact, the more likely that a court will conclude that expression, rather than mere factual material exists.

This principle relates to the doctrine of merger. As described in the cases, the idea of merger holds that, when only a few ways exist to express a particular fact or idea, the expression merges with the fact or idea and cannot be protected. The dominant copyright law principle excludes protection under copyright for factual material. In practice, however, cases seldom arise in which one can truly say that only a few ways exist to express a fact; many alternatives almost always exist as one places more and more embellishment on the bare facts. The merger principle actually seeks to establish a limited safe harbor for public use that center on sparse or direct expression associated with any unprotected idea or fact. The more spare and direct the expression, the more likely a court will conclude that the expression merges with the facts. Thus viewed, merger plays an important adjunct role to the basic principle that factual material constitutes public domain, available building blocks for use by subsequent authors. The pure facts and their more narrow expression fall into the public mode. The principle of merger defines the safe harbor in in trms of sparseness and brevity.

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[2] Copyright in a Compilation of Facts

The idea that expression can be dissected apart from the facts expressed describes a value-added theory: the author protects the value it added to the factual material. Value does not mean market value, but expressive value. Under copyright law, in addition to embellishing descriptions of factual matters, expressive content or value can be added through control of the selection and design of a collection of facts.

The Copyright Act excludes protection of facts, but permits copyright for compilations, including factual compilations. A compilation is "a work formed by the collection and assembly of ... data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." The expression in a compilation consists of selection, coordination or organization contributed by the compiler, does not extend to the items compiled.

[a] Selecting Facts

The copyright standard points toward two sources of expression in collections of facts. The first deals with the selection of factual material. Creative and original selection yields protected expression.

The selection must reflect expressive originality. The originality requirement is diminimus, but must be met. This creates problems for electronic and other databases or compilations that are most obvious when the compilation purports to be a comprehensive rendering of everything in a universe defined by a broad or common premise. For example, in Feist, the Supreme Court held that a White Pages directory list all telephone numbers in a particular geographical area lacked any originality in selection. The Court commented that the selection of facts in the directory could "not be more obvious." The directory contained a list of all persons with telephones. This is selection of a "sort, but it lacks the modicum of creativity necessary to transform mere selection into copyrightable expression."

There are two disabling or nonexpressive types of selections as measured by copyright law theory. The first "selects" everything within a very broad category (e.g., all telephone owners). The second uses as a selection criterion a standard that has already been used or accepted by many others (e.g., all trial lawyers in Miami). The first fails because it lacks any selection at all. The second uses a nonoriginal method of selecting entries. In effect, the criteria used resides in the public domain.

Many comprehensive databases fail under this criterion: a list of all lawyers in Texas, a database of all automobile dealers in Chicago, a list of all surgeons in the United States, a collection of the copyright laws of all countries in the world. As these illustrations suggest, comprehensive collections of facts are quite valuable, either as basic references or as mailing list sources. The fact that they are comprehensive, however, disables copyright protection premised on selectivity. On the other hand, a list of some lawyers in Texas or a few surgeons in the United States has different value than the comprehensive list. The value depends on how the lawyers or surgeons were selected.

Many databases, of course, employ creative selection. To qualify as expression, the selection must entail the use of judgment or conscious choice with some purpose in mind. In addition, the criteria must not be so obvious, common or limited as to be virtually "inevitable" in light of the author's choice of subject matter for its compilation.

The exercise of conscious choice with a goal in mind occurs often in noncomprehensive compilations. Thus, a compilation listing the "best" restaurants in a city is copyrightable as to its selection. Similarly protected is a list of "premium" baseball cards for card collectors⁴ and the selection of ethnic businesses to be included in a directory.⁵ In each case and others of similar character, the criteria for choosing (selection) various entries into the database entail personal choices of the compiler exercised with a conscious objective in mind. The products of that selection are protected expression, but the individual names or identities are unprotected facts.

The selection must be original. The appellate court have struggled with this requirement, even though the Supreme Court emphasized that the requisite originality is *diminimus*. The Second Circuit Court of Appeals in Kregos v. Associated Press⁶ concluded that a compilation of nine statistics regarding pitchers scheduled to appear in baseball games was copyrightable in large part because, while publishing baseball pitcher's statistics was common, the particular selection of items as a whole had not been used before. On the other hand, in Victor Lalli Enterprises, Inc. v. Big Red Apple, Inc.,⁷ the court rejected copyright protection for a publication listing race track betting statistics over a thirteen month period because this particular arrangement was dictated by conventions and standards in use for many years in connection with numbers betting. In the one case (Kregos), the author was breaking new ground, while in the other (Lalli) the author replicated an existing selection of information because that information was expected and demanded by the audience to which the work appealed.

[b] Arranging Facts

Arrangement, coordination, and organization represent the second method of achieving copyright protection in collected facts. Protected expression exists if the author exercised personal choices, not dictated by existing market or commonly accepted standards in setting out the factual material the author used in a way that reflects the author's choice oriented to achieve the author's results.

There must be a creative, original or expressive choice. "Authors" who simply use random selections or follow choices made by other people cannot claim copyright in the end result even if the resulting arrangement has great marketplace value. An alphabetical listing of names in a telephone directory or words in a dictionary does not, in itself, qualify because the

⁴ See Eckes v. Card Prices Update, 736 F.2d 859 (2d Cir. 1984).

⁵ Key Publications, Inc. v. Chinatown Today Publishing Enterprises, Inc., 945 F.2d 509, 513 (2d Cir. 1991).

⁶ 937 F.2d 700 (2d Cir. 1991).

⁷ 936 F.2d 671 (2d Cir. 1991).

device of alphabetical listing long ago became common place and is used by many authors. The choice cannot be considered "original." On the other hand, the absence of any choice also disqualifies a work. For example, in Toro Co. v. R&R Prods. Co.,⁸ a system that assigned numbers to various machine parts on a random basis could not qualify for copyright protection. Random assignment to places in a numerical organization does not equate with expression. The basic idea founded in the concept of protected copyright expression rests in choices, made consciously, to achieve a result that the author desires. Random choice does not fit. On the other hand, an index system based on parts or other numbers chosen to reflect an overall organization for the underlying data qualifies as expression if the structure was not the numerical equivalent of an alphabetical list.

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FRED WEHREBERG v. MOVIEFONE
73 F.Supp.2d 1044 (ED Mo. 1999)
MEMORANDUM AND ORDER

PERRY, District Judge.

This matter is before the Court on cross-motions for summary judgment. Plaintiff Fred Wehrenberg Circuit of Theatres owns and operates numerous movie theaters in the St. Louis area. Defendant Moviefone, Inc. is a Delaware corporation with its principal place of business in New York.

In count I of its two-count amended complaint, plaintiff alleges that defendant engaged in common law unfair competition through misappropriation. Plaintiff brings count II pursuant to the Lanham Act, 15 U.S.C. § 1125(a)(1)(B), alleging false or misleading description of fact. For the reasons set forth below, the Court will grant defendant's motion for summary judgment on both counts of the amended complaint and deny plaintiff's cross-motion.

I. Factual Background

In order to exhibit movies in its theaters, plaintiff must generate and publicize movie show time schedules for each of its theaters which, according to plaintiff, takes much time and effort. Plaintiff maintains an automated phone system and ticketing system called CINE-TIX through which movie patrons may purchase movie tickets by credit card up to five days in advance. In addition, plaintiff also operates a web site which contains plaintiff's movie schedules and information about its movie theaters. Plaintiff contends that it receives revenue from a few companies in exchange for its movie schedule information. For purposes of this motion, the Court will assume this is true.

Defendant provides movie listings for approximately 20,000 movie screens belonging to numerous theater companies in at least thirty-four geographic markets, including the St. Louis market, through its automated phone system and its Internet web site. In nineteen of those markets, defendant also engages in teleticketing, which allows movie patrons to purchase tickets in advance by credit card on the phone or over the web site. Defendant does not, however, provide teleticketing services in the St. Louis market.

Defendant entered the St. Louis market in the summer of 1998. While some theaters in St. Louis provide their movie show time information to defendant directly via computer or fax, defendant collects other theaters' schedules, including plaintiff's schedules, independently, and then places the information on its phone and web systems. Plaintiff contends that defendant, through defendant's fault, frequently provides incorrect and inaccurate movie theater and show time information in regard to plaintiff's schedules on its phone system and

⁸ Toro Co. v. R&R Prods. Co., 787 F2d 1208 (8th Cir. 1986).

web site. For purposes of this motion, the Court will assume that defendant has inaccurately provided plaintiff's movie schedules over its phone and web systems through no fault of plaintiff.

Defendant advertises its services in the St. Louis market by placing advertisements in various publications, such as the *Riverfront Times*. These advertisements make no reference to individual movie exhibitors or to any movie show times. Defendant also sells advertising space on both its automated phone system and its web site, which movie studios and other companies purchase in order to advertise their movies or other merchandise. In addition, defendant's phone number and web site address often appear in cooperative advertisements found in newspapers. Cooperative advertisements publicize a particular movie, and are paid for by the movie studio that produces the movie and different movie exhibitors. These ads also contain a list of movie exhibitors showing the particular movie, therefore the names of plaintiff's theaters are, at times, found in cooperative advertisements with defendant's contact information.

II. Discussion

A. Common Law Unfair Competition

In count I of its amended complaint, plaintiff alleges that defendant engaged in common law unfair competition. Plaintiff further elaborates on its claim of unfair competition by claiming that it spends a substantial amount of time generating and maintaining its show time information and monitoring its CINE-TIX system, that plaintiff's show time information is time sensitive and changes continuously, and that unauthorized use of plaintiff's information constitutes free-riding on its costly efforts. In addition, plaintiff contends that its CINE-TIX service is in direct competition with defendant's services and that defendant's alleged free-riding on plaintiff's efforts will likely damage plaintiff. Plaintiff bases its claim of unfair competition on *International News Service v. Associated Press*, 248 U.S. 215 (1918), in which the United States Supreme Court recognized misappropriation as a form of unfair competition. The specific type of misappropriation identified in *International News Service* has become known as misappropriation of "hot news." In order to determine if misappropriation of "hot news" is a valid cause of action in Missouri, and if so, whether plaintiff has established the essential elements of this cause of action, an examination of the *International News Service* case and the resulting theory of misappropriation is required.

In *International News Service*, the plaintiff Associated Press ("AP") and the defendant International News Service ("INS"), were both in the news wire business in which they competed to gather news and then distribute it to each of their respective member newspapers who paid for the services. AP claimed that INS was misappropriating its property, in the form of the news, because INS would copy the news from AP bulletin boards and early editions of east coast newspapers containing AP stories and then sell the AP stories as INS stories, sometimes intact and sometimes after rewriting them. While the Court mentioned that the news has some aspects that lend themselves to copyright protection and other aspects that do not, the Court did not focus on whether the news was protectable as property under concepts of copyright. Rather, the Court concerned itself with the business of making the news known to the world, in which the parties directly competed, and with deciding what constituted unfair competition within that business. Importantly, the Court stated that in determining what conduct comprises unfair competition, courts must make particular reference to the type of business at issue. *Id.* at 235-236, 39 S.Ct. 68.

The Court explained that the gathering of the news entailed great expense in terms of skill, effort, and money, and that the exchange value to the gatherer was dependent on the freshness and novelty of the news it distributed (thus the term "hot news"). Therefore,

because news was the material out of which both parties were seeking profit at the same time in the same field, the Court recognized the news as quasi-property for this purpose. The Court declared that the defendant "in appropriating [the news] and selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown." The Court noted that INS's actions constituted an "unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not ..." *Id.* at 240, 39 S.Ct. 68. Finally, if INS were allowed to misappropriate the news at its height of value, the Court maintained that it would make publication profitless or of so little profit that it would "in effect cut off the service by rendering the cost prohibitive in comparison with the return." The Court therefore upheld the injunction prohibiting INS's actions.

The Court decided *International News Service* under federal common law before the Court's decision in *Erie R. Co. v. Tompkins*, 304 U.S. 64, 78, 58 S.Ct. 817, 82 L.Ed. 1188 (1938). The application of misappropriation as a form of federal common law ceased to exist with the *Erie* decision. Many states, however, adopted the theory of misappropriation as a form of state common law unfair competition.

In Missouri, common law unfair competition encompassed several categories of legal claims, including palming or passing off, trademark violations, and misappropriation. In *National Tel. Directory Co. v. Dawson Mfg. Co.*, 214 Mo.App. 683, 263 S.W. 483, 484 (1924), the Missouri Court of Appeals held that unfair competition comprised more than merely the traditional passing off to the public the goods or business of one person for that of another. The court cited *International News Service* for the proposition that the doctrine of unfair competition had been expanded to "encompass the schemes and inventions of the modern genius bent upon reaping where he has not sown." *Id.* In 1974, the Missouri Court of Appeals again recognized, with reference to *International News Service*, that misappropriation was a component of Missouri's doctrine of unfair competition. The concept of misappropriation in Missouri was broader in its application than the specific misappropriation of "hot news" found in *International News Service*. For instance, in *Nance*, the defendant's misappropriation did not involve "hot news" at all but involved tape piracy in which the defendant rerecorded musical performances from audio tapes sold in stores and then sold the rerecordings to retail stores.

In 1976, Congress revised the copyright law in the United States. With the advent of the new federal copyright law, Congress specifically preempted state copyright law which was "equivalent to any of the exclusive rights within the general scope of copyright ... and come within the subject matter of copyright" as designated by federal law. 17 U.S.C. § 301. Misappropriation, as applied in many states, often involved rights and property that came under the new federal copyright law. Thus, it became a question for the courts whether each state's misappropriation doctrine was preempted. In *Hartman v. Hallmark Cards, Inc.*, 833 F.2d 117 (8th Cir.1987), the Eighth Circuit addressed the preemption of misappropriation in Missouri. The plaintiff sued under both the theory of federal copyright infringement and the Missouri common law of misappropriation. The court declared that the plaintiff's misappropriation claim was "basically a reformulation of [her] copyright claims and is thus preempted by federal law." In reaching its conclusion, the court cited the Ninth and Second Circuits for support, of which the Second Circuit specifically held that the misappropriation branch of unfair competition in New York was preempted. Thus, as set forth by the Eighth Circuit, the doctrine of misappropriation in Missouri is preempted to the extent it is equivalent to federal copyright law.

Plaintiff in this case does not argue that its movie show times should be protected by

federal copyright law. In addition, in its memorandum in support of its motion for summary judgment, plaintiff seems to concede that, for the most part, the misappropriation doctrine in Missouri is preempted. Plaintiff contends, however, that the specific type of misappropriation in *International News Service*, namely misappropriation of "hot news," survives preemption by federal copyright law. Plaintiff argues that its movie schedules come within this "hot news" exception and are thus property interests capable of protection against misappropriation.

There appears to be no Missouri or Eighth Circuit case law addressing the issue of whether misappropriation of "hot news" survives preemption by federal copyright law. While Missouri common law misappropriation was obviously broader in its application than just misappropriation of "hot news," and, as evidenced by the Eighth Circuit decision in *Hartman*, was apparently the equivalent of federal copyright law, misappropriation of "hot news" would most likely survive preemption in Missouri based on the legislative history of the federal copyright law and other jurisdictions' interpretations of the "hot news" exception.

Section 301 of federal copyright law preempts state copyright laws which are the equivalent to federal copyright laws. 17 U.S.C. § 301. As stated before, this would include state misappropriation claims which are the equivalent to the federal copyright statutes. In the House Report accompanying section 301, however, misappropriation was not preempted completely. The House Report stated:

"Misappropriation" is not necessarily synonymous with copyright infringement, and thus a cause of action labeled as "misappropriation" is not preempted if it is in fact based neither on a right within the general scope of copyright as specified by section 106 nor on a right equivalent thereto. For example, state law should have the flexibility to afford a remedy (under traditional principles of equity) against a consistent pattern of unauthorized appropriation by a competitor of the facts (i.e., not the literary expression) constituting "hot" news, whether in the traditional mold of *International News Service v. Associated Press*, 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed. 211 (1918), or in the newer form of data updates from scientific, business, or financial data bases.

H.R.Rep. No. 94-1476, at 132 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5748. Thus, this legislative history demonstrates an intent to exclude misappropriation of "hot news" from the preemption of section 301.

The Second Circuit and the Northern District of Illinois have held that misappropriation of "hot news" does survive federal copyright preemption as a narrow exception. In doing so, these courts recognized the above passage from the House Report as evidence of an intent to exempt misappropriation of "hot news" from preemption. Therefore, because the common law of misappropriation in Missouri was based on *International News Service* and the very narrow exception of misappropriation of "hot news" as promulgated in *International News Service* survives federal copyright preemption based on the House Report, the Court believes that Missouri would allow a cause of action based on misappropriation of "hot news."

In *National Basketball Assoc. v. Motorola, Inc.*, the Second Circuit detailed the elements that it decided misappropriation of "hot news" entailed. These elements are (1) the plaintiff generates or collects information at some cost or expense; (2) the value of the information is highly time sensitive; (3) the defendant's use of the information constitutes free-riding on the plaintiff's costly efforts to generate or collect it; (4) the defendant is in direct competition with a product or service offered by the plaintiff; and (5) the ability of other parties to free-ride on the efforts of the plaintiff would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened. *NBA*, 105 F.3d at 845, 852.

The Court agrees with defendant that plaintiff here has failed to establish the last element of the "hot news" exception to preemption. Plaintiff is in the business of exhibiting

movies. In order for plaintiff to conduct its business, it is necessary for it to generate movie show time schedules and publicize those schedules to the public. If plaintiff fails to do either of these things, it will no longer be able to participate in the business of exhibiting movies. The core of plaintiff's business and the source of the majority of its profits is not the publication of movie schedules, even though plaintiff contends it receives some revenue in exchange for its movie schedules. The core of plaintiff's business is exhibiting movies and the profit it makes from ticket and concession sales. If defendant continues to display plaintiff's movie show times on its web site or offers plaintiff's schedules to its listeners over its phone system, defendant's actions will not reduce plaintiff's incentive to generate movie schedules or publicize them to the point that the existence or quality would be threatened, even assuming defendant incorrectly recites the information. In the words of *International News Service*, the cost of producing the schedules and publicizing them must render the production and publication "profitless or so little profitable as in effect to cut off the service by rendering the cost prohibitive in comparison with the return." For a claim of misappropriation of "hot news" to succeed, defendant's actions must make plaintiff virtually cease to participate in the business in question. This is not the circumstance in this case. Despite defendant's actions, plaintiff will still generate movie schedules and publicize them through a variety of media, including its CINE-TIX system and web site, in order to draw people to come to its movie theaters, buy tickets, and purchase concessions. Plaintiff has not established that it would stop exhibiting movies and doing what is necessary to facilitate exhibiting movies if defendant continues its actions. Therefore, plaintiff has failed to establish element five, and the Court will enter summary judgment for the defendant on count I. It is unnecessary to evaluate the other four elements because plaintiff has failed to establish the last one, and thus, the Court makes no determination whether or not plaintiff actually satisfies elements one through four of the test.

B. False Advertising under the Lanham Act

In count II of its amended complaint, plaintiff alleges that defendant violated the Lanham Act, 15 U.S.C. § 1125(a)(1)(B), by mistakenly or inaccurately publishing plaintiff's movie schedules. Plaintiff contends that these errors will be attributed to plaintiff and will thereby reflect poorly on plaintiff's goodwill and reputation. Further, plaintiff claims that defendant's misrepresentation of theater and movie show time information in commercial advertising or promotion misrepresents the nature, characteristics, or quality of plaintiff's services and commercial activities. Defendant moves for summary judgment on count II of the amended complaint on the ground that its alleged conduct does not constitute commercial advertising or promotion.

The Lanham Act prohibits those "engaged in commerce" against false advertising. The relevant provisions of the Lanham Act state:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B). In order to establish a claim under the Lanham Act, a plaintiff must prove: (1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a

substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a loss of goodwill associated with its products. *United Indus. Corp.*, 140 F.3d at 1180.

A commercial advertisement must be at issue in order to establish a Lanham Act violation. Recently, the Eighth Circuit stated that commercial speech is a threshold requirement for Lanham Act liability. *Porous Media Corp. v. Pall Corp.*, 173 F.3d 1109, 1120 (8th Cir.1999) (quoting the language of 15 U.S.C. § 1125(a)(1)(B) requiring a "commercial advertising or promotion"). The court quoted legislative history that stated the Lanham Act "specifically extends only to false and misleading speech that is encompassed within the 'commercial speech' doctrine developed by the United States Supreme Court." *Id.* (quoting 134 Cong.Rec. 31, 851 (Oct. 19, 1988) (statement of Rep. Kastenmeier)). The court then pronounced that three factors govern whether speech is commercial: (1) whether the communication is an advertisement; (2) whether it refers to a specific product or service; and (3) whether the speaker has an economic motivation for the speech. The court noted that the presence of all three factors demonstrates "strong support" for the conclusion that the speech is commercial. The court, in applying these three elements to the case before it, stated that the communication was an advertisement because it "proposed a commercial transaction." According to the Eighth Circuit, "core" commercial speech "does no more than propose a commercial transaction." The Eighth Circuit stated that the communication at issue proposed a commercial transaction by urging the reader to buy defendant's product instead of plaintiff's. The ad specifically referred to both products satisfying prong *1052 two of the commercial speech elements, and was motivated by financial concerns meeting prong three. *Id.* at 1121, 113 S.Ct. 1505. The court also noted that communications must be disseminated sufficiently to the relevant purchasing public within the industry in question in order to be actionable under the Lanham Act. *Id.* (quoting *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1384 (5th Cir.1996)).

The question before this Court then is whether defendant's conduct constituted commercial speech which would satisfy the Lanham Act requirement that a violation be based on a commercial advertisement or promotion. Defendant does advertise its own services, in a classic sense, in that it places advertisements in publications, such as the *Riverfront Times*. In those advertisements, however, defendant never refers to plaintiff's organization, its theaters, or its specific show times. On its phone system and on its web site, defendant also provides opportunities for movie studios and other entities to advertise their products by purchasing ad time and space. In these ads, defendant is not advertising its services at all, but is providing a medium by which other companies and entities are advertising their products. Again, plaintiff's movie schedules are not mentioned in or the subject of those advertisements placed by others. Movie studios and producers also often place cooperative advertisements in newspapers and other publications in which the studios advertise their movies and list all theaters in an area which are showing their movies, and sometimes lists defendant's service in the ad as well. Defendant is not responsible for the content of the cooperative ads as they are not placed by defendant. These three types of advertisements discussed above cannot be the subject of plaintiff's claim because these ads either do not address plaintiff's services or if they do, defendant is not responsible for them. Plaintiff, at times, attempts to argue that these advertisements automatically make all communications by defendant commercial speech. This is not the case, however. Plaintiff must demonstrate that defendant's communications which involve or reference plaintiff are, in fact, commercial speech.

Plaintiff argues that when defendant lists plaintiff's movie schedules on its phone

system or on its web site, defendant is engaging in commercial speech for the purposes of the Lanham Act. The Eighth Circuit stated that the presence of all three factors of commercial speech provides strong evidence that the speech is commercial. In the case before this Court, all three factors are not present. The first element of commercial speech requires that the communication be an advertisement. The Eighth Circuit further defined the term advertisement requiring that the communication propose a commercial transaction. In this case, defendant is not proposing a commercial transaction by listing plaintiff's movie schedules. Defendant does not sell tickets to plaintiff's theater or to any other St. Louis theaters. Even if defendant lists the information incorrectly, defendant is not by doing so attempting to persuade its audience to purchase movie tickets from defendant instead of from plaintiff, because defendant does not exhibit movies or sell movie tickets for another exhibitor in the St. Louis area.

Plaintiff states that it is in competition with defendant because both parties have automated phone services that compete directly in an attempt to get movie-going customers to use those services. The undisputed facts do not support this argument, however. Plaintiff maintains a phone information system in order to persuade people to come watch movies at plaintiff's theaters. Thus, plaintiff competes with other movie exhibitors and possibly other teleticketers in the St. Louis market for dollars being spent by those wishing to attend movies. By providing its information service, defendant gains revenue from those companies who wish to advertise their products on its service. Therefore, defendant competes with other media entities for dollars being spent by movie studios and other companies interested in advertising their products. Defendant *1053 does not sell tickets to any theaters in the St. Louis area and thus does not compete with plaintiff in plaintiff's business of exhibiting movies. [FN1] Accordingly, when defendant lists plaintiff's movie schedules it is not proposing a commercial transaction.

The Court believes that on the undisputed facts, plaintiff has failed to show that defendant is engaging in commercial advertising or promotion as required by the statute and Eighth Circuit in order to state a Lanham Act claim. Plaintiff's failure to establish this essential element makes it unnecessary for the Court to examine the other elements of a Lanham Act false advertising claim, and defendant is entitled to summary judgment.

Accordingly,

IT IS HEREBY ORDERED that defendant's motion for summary judgment on counts I and II of plaintiff's amended complaint [# 66-1] is granted and plaintiff's motion for summary judgment on count I [# 63-1] is denied.

.....

**Nautical Solutions Marketing, Inc. v. Boats.com, -- F.Supp.2d --, 2004
US Dist. Lexis 6304 (MD Fla. 2004)**

OPINION:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Pursuant to Section 2201 of Title 28, United States Code, Nautical Solutions Marketing, Inc. ("NSM") seeks a declaration that NSM infringed no copyright owned by Boats.com. n1 See 17 U.S.C. § 201, *et seq.* A jury trial occurred on November 18-26, 2003; the trial transcript was filed on January 27, 2004 (Docs. [*2] 213-221, 224, 226); and Boats.com and NSM submitted

findings of fact and conclusions of law on February 6, 2004, and February 9, 2004, respectively (Docs. 223, 225). n2

n1 On November 17, 2003, the Court dismissed the portion of count one of the complaint that seeks a declaration of NSM's rights under (1) state trespass law and (2) the "Terms and Conditions of Use" of Boats.com's website Yachtworld.com. Only the portion of count one concerning copyright infringement remains.

n2 The jury found in favor of NSM on count two (defamation) and awarded NSM \$ 250,000 in actual damages and \$ 50,000 in punitive damages (Doc. 203). The jury found in favor of Boats.com on count three of the complaint (intentional interference with business relations) (Doc. 203). A judgment of \$ 300,000 in favor of NSM and against Boats.com was entered on December 9, 2003 (Doc. 206).

Findings of Fact

Since 1995, Boats.com has owned and operated Yachtworld.com, an internet website on which subscribing yacht brokers post [*3] listings of yachts for sale. In 2001, NSM started a competing website, Yachtbroker.com. Boats.com contends that two of the services offered by Yachtbroker.com violated Boats.com's copyrights during the period from November, 2001, to April, 2002. n3

n3 No party disputes that the allegedly infringing activity ceased in early April, 2002.

Boat Rover. The first service involves the use of an internet "spider" called "Boat Rover," which visits targeted public websites, extracts facts from the websites, and indexes the extracted facts in a searchable database accessible to users of Yachtbroker.com. From November, 2001, to early April, 2002, the Boat Rover program visited Yachtworld.com frequently to extract certain facts from Yachtworld.com's public yacht listings.

Boat Rover, a software program that runs on an NSM computer, connects to a targeted website, such as Yachtworld.com, and extracts from a public yacht listing the manufacturer, model, length, year of manufacture, price, location, and URL of [*4] the webpage containing the yacht listing. n4 Boat Rover extracts the facts by momentarily copying the hypertext markup language ("HTML") of the webpage containing the yacht listing and then collecting the prescribed facts, entering the facts into a searchable database, and finally discarding the HTML -- all of this accomplished almost instantaneously. Boat Rover operated in this manner when extracting facts from Yachtworld.com during November, 2001, through April, 2002. n5 Boats.com contends that Boat Rover's extraction of facts from yacht listings on Yachtworld.com constitutes copyright infringement.

n4 Facts are not protected by copyright law. See *Feist Publications v. Rural Tel. Serv. Co.*, 499 U.S. 340, 348, 113 L. Ed. 2d 358, 111 S. Ct. 1282 (1991) ("[Facts] may not be copyrighted and are part of the public domain available to every person.") (quoting *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1369 (5th Cir. 1981)).

n5 The record reveals no material difference between Boat Rover in its present form and Boat Rover as it existed from November, 2001, through April, 2002.

[*5]

Valet Service. Yachtbroker.com also offers a "valet service." With the permission of a yacht broker who owns a yacht listing on another website, Yachtbroker.com moves, deletes, or modifies the yacht broker's listing. n6 At times between November, 2001, and April, 2002, as part of its valet service, Yachtbroker.com "copied and pasted" certain content, including pictures and descriptions, from yacht listings on Yachtworld.com and posted the content on Yachtbroker.com in a different format. n7 A preponderance of the credible evidence reveals that NSM's employees "copied and pasted" only the descriptions and pictures contained in each listing rather than the HTML for the entire webpage.

n6 The record reveals that a yacht broker commonly lists boats on several websites.

n7 The parties agree that a yacht broker owns the descriptions and pictures used in a yacht listing posted by the broker (or the broker's agent) on a website to which the yacht broker subscribes. In any event, the record reveals that the pictures and descriptions in the yacht listings were created by the yacht brokers and that copyright in the pictures and descriptions was not transferred to Boats.com by yacht brokers. See 17 U.S.C. § 201 (copyright belongs only to the author or the author's transferee).

[*6]

The webpage format employed by Yachtbroker.com to display the copied content differed substantially from the webpage format used by Yachtworld.com to display the original listing. For example, a typical yacht listing on Yachtworld.com displays a "thumbnail" picture of the yacht to the left of the basic facts (i.e., year, location, etc.). Yachtbroker.com displays a "thumbnail" picture of the yacht to the right of the basic facts. n8 In a Yachtbroker.com listing, the basic facts appear in a table; in a Yachtworld.com listing, the basic facts appear in bullet-points. A typical yacht listing on Yachtworld.com contains along the left side a vertical blue wave in which several links appear; a typical listing on Yachtbroker.com contains no blue wave. Finally, the color scheme, logo, and "look and feel" of a typical yacht listing on Yachtworld.com differ markedly from that of a typical listing; on Yachtbroker.com.

n8 The "thumbnail" picture of the yacht is larger on a Yachtbroker.com listing than on a Yachtworld.com listing. Also, on a Yachtworld.com listing, pictures of the yacht's interior are accessed by activating links located below the thumbnail of the yacht. These links open a new webpage containing the selected picture. On Yachtbroker.com, pictures of the yacht's interior are accessed by hitting the "next photo" button below the thumbnail of the yacht. Each picture of the yacht's interior appears in the same window as the thumbnail of the yacht.

[*7]

Although the copied content posted on Yachtbroker.com contains many of the same descriptive headings as the original listings on Yachtworld.com, the record reveals that the headings were the industry standard for yacht listings on yacht brokering websites. n9

n9 The descriptions in a typical yacht listing are divided using headings, such as "electrical" to describe the electrical features of a yacht, "accommodations" to describe a yacht's accommodations, "galley" to describe the yacht's galley, and "sails and rigging" to describe the sails and rigging of the yacht. The record reveals that at least two yacht brokering websites (BoatTraderOnline.com and AdventureYachtsInc.com) used the same headings as Yachtworld.com and Yachtbroker.com.

Conclusions of Law

Boat Rover. Section 107 of Title 17, United States Code, provides that [HN1] "the fair use of a copyrighted work ... is not an infringement of copyright." Boat Rover's momentary copying of Yachtworld's public web pages in order to extract [*8] from yacht listings facts unprotected by copyright law constitutes a fair use and thus "is not an infringement of copyright. n10 See Ticketmaster Corp. v. Tickets.com, Inc., 2003 U.S. Dist. LEXIS 6483, 2003 WL 21406289 (C.D. Cal. March 7, 2003) ("Taking the temporary copy of the electronic information for the limited purpose of extracting unprotected public facts leads to the conclusion that the temporary use of the electronic signals was 'fair use' and not actionable."); see also Assessment Techs. of WI, LLC v. WIREdata, Inc., 350 F.3d 640 (7th Cir. 2003); Sega Enters. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1992).

n10 17 U.S.C. § 107 [HN2] identifies four factors determinative of "fair use:"

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

Although NSM's operation of Yachtbroker.com is a commercial venture, the record reveals no effect by Yachtbroker.com's temporary copying of Yachtworld.com's HTML on the "potential market for or value of" Yachtworld.com. Further, because Yachtbroker.com's final product -- the searchable database -- contained no infringing material, the "amount and substantiality of the portion used" is of little weight. Consideration of these factors commends the conclusion that NSM's extraction of facts from Yachtworld.com constitutes a fair use.

[*9]

Valet Service. NSM copied only the pictures and descriptions from Yachtworld.com's yacht listings. Individual yacht brokers, not Yachtworld.com, own the copyright to these pictures and descriptions. Accordingly, NSM's copying of the content fails to constitute an infringement of copyright against Boats.com. See 17 U.S.C. § 201.

Boats.com claims a copyright in the headings used in the yacht listings on Yachtworld.com (e.g., "galley," "accommodations," etc.). However, the headings are not protected by copyright law because the headings merge with the idea of listing a yacht for sale. See, e.g., Palmer v. Braun, 287 F.3d 1325, 1330 (11th Cir. 2002) [HN3] ("In certain cases, there are so few ways of expressing an idea that the idea and its expression merge. Under the so-called 'merger

doctrine,' these few expressions do not receive copyright protection, since protection of the expressions would thus extend protection to the idea itself."); *BellSouth Advertising & Publishing Corp. v. Donnelley Info. Publishing*, 999 F.2d 1436, 1444-43 (11th Cir. 1993) (terms such as "attorneys" and "banks" used in the plaintiff's business directory [*10] "represent such an obvious label for the entities appearing under these headings as to lack the requisite originality for copyright protection"); *Schoolhouse, Inc. v. Anderson*, 275 F.3d 726, 730 (8th Cir. 2002) [HN4] ("Similarity in expression cannot be used to show copyright infringement when there is only one way or only a few ways of expressing an idea."); *Matthew Bender & Co. v. Kluwer Law Book Publishers, Inc.*, 672 F. Supp. 107, 111 (S.D.N.Y. 1987) (under merger doctrine, the plaintiff could claim no copyright protection in headings used to display data regarding personal injury awards where "terms employed are the most logical and clear way of expressing the idea to be conveyed ... [and] these terms, or synonyms for them, are the only way of conveying the desired information.").

Boats.com also claims a copyright in the "look and feel," i.e., the layout and format, of the Yachtworld.com webpages that contain the yacht listings. As discussed earlier, the layout and format of the two websites are quite dissimilar. "To the extent that there is similarity between the two websites, the similarity derives from unprotectable elements," including the pictures, [*11] headings, and descriptions in the yacht listings. *Crown Awards, Inc. v. Trophy Depot*, 2003 U.S. Dist. LEXIS 25205, 2003 WL 22208409, at *15 (E.D.N.Y. September 3, 2003) (the plaintiff failed to establish a substantial likelihood of success on the merits of a copyright infringement claim where the websites differed both in "design aesthetics," e.g., the color scheme, and in "graphic presentation," e.g., the size of the thumbnail pictures and general layout of the text); *Mist-on Sys. v. Gilley's European Tan Spa*, 303 F. Supp. 2d 974, 2002 WL 32350072, at *3-5 (W.D. Wisc. 2002) ("Some additional similarity beyond generic formatting is necessary to establish infringement. . . . The similarities between the two [webpages] do not arise from protected expression. Rather, they arise from the parties' use of a common format to address topics common to the [similar subject of the two webpages]."). Accordingly, NSM failed to infringe any copyright in the "look and feel" of Yachtworld.com.

Finally, Boats.com claims a copyright in Yachtworld.com to the extent that the yacht listings constitute a "compilation." n11 The "virtual identity" standard determines infringement of a compilation [*12] copyright. See *Mitek Holdings, Inc. v. Arce Eng'g Co., Inc.*, 89 F.3d 1548, 1558-59 (11th Cir. 1996) (in the case of an alleged infringement of a compilation, "there can be no infringement unless the works are virtually identical."); *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1439 (9th Cir. 1994) ("When the range of protectable and unauthorized expression is narrow, the appropriate standard for illicit copying is virtual identity."). Once again, because the format used by NSM to display on Yachtbroker.com the content copied from Yachtworld.com differs from the format used by Yachtworld.com to display the same information, Yachtbroker.com's "compilation" of yacht listings was not virtually identical to Yachtworld.com's "compilation" of yacht listings. See *Mitek*, 89 F.3d at 1558-59.

In sum, NSM infringed no copyright owned by Boats.com. The Clerk is directed to enter a judgment in favor of NSM and against Boats.com on count one of the complaint.

**DIRECTIVE 96/9/EC OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL of 11 March 1996 on the legal protection of databases
THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,**

Article 7

Object of protection

1. Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents to prevent extraction and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.

2. For the purposes of this Chapter:

(a) 'extraction' shall mean 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;

(b) 'reutilization' shall mean any form of making available to the public all or a substantial part of the contents of a database by the distribution of copies, by renting, by on-line or other forms of transmission. The first sale of a copy of a database within the Community by the rightholder or with his consent shall exhaust the right to control resale of that copy within the Community;

Public lending is not an act of extraction or re-utilization.

3. The right referred to in paragraph 1 may be transferred, or granted under contractual licence.

4. The right provided for in paragraph 1 shall apply irrespective of the eligibility of that database for protection by copyright or by other rights. Moreover, it shall apply irrespective of eligibility of the contents of that database for protection by copyright or by other rights.

Protection of databases under the right provided for in paragraph 1 shall be without prejudice to rights existing in respect of their contents.

5. The repeated and systematic extraction and/or re-utilization of insubstantial parts of the contents of the database implying acts which conflict with a normal exploitation of that database or which unreasonably prejudice the legitimate interests of the maker of the database shall not be permitted.

Article 8

Rights and obligations of lawful users

1. The maker of a database which is made available to the public in whatever manner may not prevent a lawful user of the database from extracting and/or re-utilizing insubstantial parts of its contents, evaluated qualitatively and/or quantitatively, for any purposes whatsoever. Where the lawful user is authorized to extract and/or re-utilize only part of the database, this paragraph shall apply only to that part.

2. A lawful user of a database which is made available to the public in whatever manner may not perform acts which conflict with normal exploitation of the database or unreasonably prejudice the legitimate interests of the maker of the database.

3. A lawful user of a database which is made available to the public in any manner may not cause prejudice to the holder of a copyright or related right in respect of the works or subject matter contained in the database.

Article 9

Exceptions to the sui generis right

Member States may stipulate that lawful users of a database which is made available to the public in whatever manner may, without the authorization of its maker, extract or re-utilize a substantial part of its contents:

(a) in the case of extraction for private purposes of the contents of a non-electronic database;

(b) in the case of extraction for the purposes of illustration for teaching or scientific research, as long as the source is indicated and to the extent justified by the non-commercial

purpose to be achieved;

(c) in the case of extraction and/or re-utilization for the purposes of public security or an administrative or judicial procedure.

delivered on 8 June 2004 (1)

The British Horseracing Board Ltd and Others

v

William Hill Organization Ltd

(Directive 96/9/EC – Databases – Protection – Sui generis right – Beneficiaries – Obtaining and verification of the contents of a database – (In)substantial part of the contents of a database – Extraction and re-utilisation – Normal exploitation – Unreasonable prejudice to the legitimate interests of the maker – Significant change to the contents of a database – Sport – Betting)

I – Preliminary observations

1. This reference for a preliminary ruling is one of four parallel sets of proceedings (2) concerning the interpretation of Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases (3) ('the Directive'). Like the other cases, this case concerns the so-called *sui generis* right and its scope in the area of sporting bets.

...

III – Facts and main proceedings

8. In the main proceedings, the claimants, the British Horseracing Board ('BHB'), the governing authority for the British horseracing industry, its Members, the Jockey Club, the Racehorse Association Limited, the Racehorse Owners Association and the Industry Committee (Horseracing) Limited, and Weatherbys are in dispute with the defendant, William Hill. The case concerns the taking of bets on the internet by William Hill and some of its competitors.

9. The BHB is a company which was formed in June 1993 to take over part of the function formerly carried on by the Jockey Club. After that date the Jockey Club retained the principal regulatory function within British horseracing. Its concern is now the application of the Rules of Racing. The BHB took on the remainder of the administrative functions of racing's governing body, in particular, the compilation of data related to horseracing.

10. Weatherbys maintains and publishes the General Stud Book, which is the official document of registration of thoroughbred horses in Great Britain and Northern Ireland. Weatherbys is also a registered bank and has a publishing arm. In 1985, Weatherbys, on behalf of the Jockey Club, started to compile an electronic database of racing information comprising (amongst other things) details of registered horses, their owners and trainers, their handicap ratings, details of jockeys, information concerning fixture lists comprising venues, dates, times, race conditions, entries and runners. The Jockey Club still uses the database for some of its functions.

11. In 1999, the database of racing information and the Stud Book were integrated into a single electronic database. This is 'the BHB Database' with which the proceedings are concerned. It is constantly being updated with the latest information. It is agreed between the parties in the main proceedings that the BHB Database is protected by the *sui generis* right

and that the *sui generis* right is owned by one or more of the claimants in the main proceedings.

12. The cost of continuing to maintain the BHB Database and keep it up to date is approximately GBP 4 million per annum and involves approximately 80 employees and extensive computer software and hardware.

13. The BHB Database contains a huge number of records including many which must be accurately stored and processed each day. It consists of some 214 tables, containing over 20 million records. Each record contains a number of items of data. It includes a collection of data accumulated over many years by way of the registration of information supplied by owners, trainers and others concerned in the racing industry. It contains the names and other details of over one million horses, tracing back through many generations. It contains details of registered owners, racing colours, registered trainers and registered jockeys. It also contains pre-race information, that is to say information relating to races to be run in Great Britain and made available in advance of the race. This covers the place and date on which a race-meeting is to be held, the distance over which the race is to be run, the criteria for eligibility to enter the race, the date by which entries must be made, the entry fee payable and the amount of money the racecourse is to contribute to the prize money for the race.

14. There are three principal functions performed by Weatherbys, which lead up to the issue of final pre-race information. The first is the registration of information concerning owners, trainers, jockeys, horses, etc. By way of example, annually, Weatherbys registers the names of some ten thousand newly named horses. In addition, the performances of horses competing in each race are recorded. Weatherbys employs a team of some 15 staff whose principal task it is to create and maintain data concerning horses and people.

15. In addition, it must be ensured that the identities of the horses which take part in races are indeed the same as those whose names are included in the pre-race lists issued.

16. The second principal function leading up to the issue of final pre-race information is weight adding and handicapping. All entries for handicap and non-handicap races, which total 180 000 entries per annum, must be assigned a weight.

17. The third activity leading up to the issue of final pre-race information is the compilation of the lists of runners. This is carried out by Weatherbys' call centre, manned by up to 32 operators at any one time, who receive telephone calls (and faxes) to enter horses in races. Weatherbys check that each horse is qualified for the race in two stages.

18. As regards the events described in paragraphs 24 to 31 and 32 to 35 of the order for reference, see the annex to this Opinion.

19. The racing information contained in the BHB Database is of interest to a wide variety of different users. Essential extracts from the database are made available to the racing industry itself, including representatives of the different racecourses around the country, racehorse owners, trainers, riders and their agents, the Jockey Club, pedigree compilers and overseas racing authorities. As stated above the information is made available to these parties each day by way of the joint Weatherbys/BHB internet website and via a database site, and each week in the BHB's official journal, the *Racing Calendar*.

20. In addition, the racing information is of interest to radio and television broadcasters, magazines and newspapers and to members of the public who follow horseracing.

21. The information is made available on the morning of the day before the race. The names of all the participants in all the races in the United Kingdom are made available to the public on the afternoon before the race through newspapers and Ceefax/Teletext.

22. The information is also supplied to bookmakers. First, data are made available to a company called Racing Pages Ltd which is controlled and owned by Weatherbys and the Press Association jointly. Racing Pages Ltd forwards data to its various subscribers which

include some bookmakers. In particular, Racing Pages makes available to subscribers in electronic form, normally on the day before a race, what is called a Declarations Feed. This contains a list of races, declared runners and jockeys, distance and name of races, race times and number of runners in each race together with other information. Secondly, one of Racing Pages' subscribers is Satellite Information Services Limited ('SIS'), which is allowed to use such data for certain purposes. SIS supplies these data to its own subscribers in the form of what is called a raw data feed ('RDF'). These items of data represent the core of the pre-race information without which punters could not place bets.

23. William Hill is one of the leading providers of off-course bookmaking services in the United Kingdom and elsewhere, to both United Kingdom and international customers. It and its subsidiaries offer odds on a large number of events at any given time, providing betting services to their customers through two principal channels: (a) a nationwide network of Licensed Betting Offices and (b) telephone betting operations. William Hill's principal product is the taking of fixed-odds bets on sporting and other events. William Hill also provides betting services over the internet. The most popular event on which William Hill offers odds is horseracing.

24. William Hill is a subscriber to both the Declarations Feed and the RDF. However, it does not use the Declarations Feed for the activities at issue in these proceedings.

25. William Hill's internet service is described in paragraphs 40 to 47 of the order for reference (see annex).

26. In proceedings before the High Court of Justice the BHB alleged infringement of the *sui generis* right by William Hill. The Jockey Club and Weatherbys were added as claimants. Mr Justice Laddie made an order ruling that William Hill had infringed the claimants' database right under both Article 7(1) and Article 7(5) of the Directive. William Hill filed an appeal against the order of Mr Justice Laddie on 14 March 2001. The appeal is pending before the Court of Appeal. ...

VI – Assessment of the merits

31. The questions referred for a preliminary ruling by the national court relate to the interpretation of a series of provisions of the Directive and in the main to the construction of certain terms. The matters addressed fall within different fields and must be dealt with accordingly. While some of the questions concern the scope *ratione materiae* of the Directive, others relate to the requirements for granting the *sui generis* right and its content.

A – Scope *ratione materiae*: the term 'database'

32. As regards the requirement of independence of the materials in a database, William Hill has taken the view that the 'materials' must be independent of the maker. That view is mistaken. As is clear from the reference William Hill itself makes to the necessity of obtaining the data, this argument raises a point which should, rather, be clarified in the context of the interpretation of the defining element 'obtaining' used in Article 7(1) of the Directive.

B – Object of protection: Conditions

33. In order to be covered by the *sui generis* right under Article 7 of the Directive a database must fall within the defining elements laid down by that provision. These proceedings concern the interpretation of some of those criteria.

34. In that connection, reference should be made to the legal debate on the question whether the *sui generis* right covers the creation, in the sense, essentially, of the activity of creating a database, or the outcome of that process. On that point, it must be observed that the Directive protects databases or their contents but not the information they contain as such. Ultimately it is thus a matter of protecting the product, while at the same time indirectly protecting the expenditure incurred in the process, in other words, the investment. (6)

35. The requirements laid down by Article 7 of the Directive must be read in conjunction with those laid down by Article 1(2). The resulting definition of the object of protection is narrower than that of 'database' in Article 1.

36. The *sui generis* right introduced by the Directive derives from the Scandinavian catalogue protection rights and the Dutch 'geschriftenbescherming'. However, that background must not mislead us into importing the thinking on those earlier provisions developed in academic writings and case-law into the Directive. Rather, the Directive should serve as a yardstick for the interpretation of national law, even in those Member States which had similar provisions before the Directive was adopted. In those Member States, too, the national legislation had to be brought into line with the precepts of the Directive.

1. 'Obtaining' within the meaning of Article 7(1) of the Directive (second question)

37. One issue in the present case is whether there was any 'obtaining' within the meaning of Article 7(1) of the Directive. That provision only protects investment in the 'obtaining', 'verification' or 'presentation' of the contents of a database.

38. We must base our discussion on the thrust of the protection conferred by the *sui generis* right, in other words the protection of the creation of a database. Creation can then be seen as an umbrella term for obtaining, verification and presentation. (7)

39. The main proceedings deal with an often discussed legal problem, that is to say whether, if so, under what conditions, and to what extent the Directive protects not only existing data but also data created by the maker of a database. If obtaining is only to relate to existing data, the protection of the investment would only cover such data. Thus, if we take that interpretation of obtaining as a basis, the protection of the database in the main proceedings depends on whether existing data were obtained.

40. However, if we take the umbrella term creation, in other words the supplying of the database with content, (8) as a basis, both existing and newly created data could be covered. (9)

41. A comparison of the term 'obtaining' used in Article 7(1) with the activities listed in the 39th recital in the preamble to the Directive might shed some light. However, it must be pointed out at the start that there are divergences between the various language versions.

42. If we start with the term 'Beschaffung', used in the German version of Article 7(1), it can only concern existing data, as it can only apply to something which already exists. In that light *Beschaffung* is the exact opposite of *Erschaffung* (creation). Analysis of the wording of the Portuguese, French, Spanish and English versions, which are all based on the Latin 'obtenere', to receive, yields the same result. The Finnish and Danish versions also suggest a narrow interpretation. The wide interpretation of the English and German versions advocated by many parties to the proceedings is therefore based on an error.

43. Further assistance with the correct interpretation of 'obtaining' in the terms of Article 7(1) of the Directive might be provided by the 39th recital in the preamble, which is the introductory recital for the subject of the *sui generis* right. That recital lists only two activities in connection with the protected investments, that is to say 'obtaining' and 'collection' of the contents. However, here too, problems arise over the differences between the various language versions. In most versions, the same term is used for the first activity as that used in Article 7(1). Moreover, although the terms used do not always describe the same activity, they essentially concern the seeking and collecting of the contents of a database.

44. The language versions which use, in the 39th recital, two different terms from those used in Article 7(1) of the Directive are to be construed so that the two activities listed are viewed as subspecies of obtaining within the meaning of Article 7(1) of the Directive. Admittedly, that raises the question why the 39th recital only defines obtaining but not verification or presentation more precisely. The latter two terms appear first in the 40th recital.

45. On the other hand, the language versions which use the same term in the 39th recital as in Article 7(1) of the Directive will have to be construed so that the term obtaining in the 39th recital is understood in a narrower sense, whereas the term used in Article 7(1) of the Directive is to be understood in a wide sense, in other words as also encompassing the other activity listed in the 39th recital.

46. All the language versions thus allow of an interpretation according to which, although 'obtaining' within the meaning of Article 7(1) of the Directive does not cover the mere production of data, that is to say, the generation of data, (10) and thus not the preparatory phase, (11) where the creation of data coincides with its collection and screening, the protection of the Directive kicks in.

47. In that connection, it should be pointed out that the so-called 'spin-off theory' cannot apply. Nor can the objective pursued in obtaining the contents of the database be of any relevance. (12) That means that protection is also possible where the obtaining was initially for the purpose of an activity other than the creation of a database. For the Directive also protects the obtaining of data where the data was not obtained for the purposes of a database. (13) That implies that an external database which is derived from an internal database should also be covered by protection.

48. It is the task of the national court, using the interpretation of the term 'obtaining' set out above, to assess the activities relating to the BHB Database. It is primarily a matter of classifying the data and its handling from its receipt to its inclusion in the database. That entails inter alia the assessment of the three main functions of Weatherbys before the issue of the pre-race information, that is to say the registration of a series of items of information, weight adding and handicapping and compilation of the lists of runners. There is, in addition, the registration of the results of the races.

49. However, even if those activities were classified as the creation of new data, there might be 'obtaining' within the meaning of Article 7(1) of the Directive. That would be the case if the creation of the data took place at the same time as its processing and was inseparable from it. That could be so in the case of the receipt of information and its entry in a database immediately thereafter. ...

C – Content of the protected right

57. It must first be observed that, strictly speaking, the introduction of the *sui generis* right was intended not to harmonise existing law but to create a new right. (14) That right goes beyond previous distribution and reproduction rights. That should also be taken into account in the interpretation of prohibited activities. Accordingly, the legal definition in Article 7(2) of the Directive assumes particular importance.

58. At first sight Article 7 of the Directive contains two groups of prohibitions or, from the point of view of the person entitled, that is to say the maker of a database, two different categories of right. Whereas paragraph 1 lays down a right to prevent use of a substantial part of a database, paragraph 5 prohibits certain acts relating to insubstantial parts of a database. On the basis of the relationship between substantial and insubstantial, paragraph 5 can also be understood as an exception to the exception implied by paragraph 1. (15) Paragraph 5 is intended to prevent circumvention of the prohibition laid down by paragraph 1, (16) and can thus also be classified as a protection clause. (17)

59. Article 7(1) provides for a right of the maker to prevent certain acts. That entails a prohibition on such preventable acts. The preventable and thus prohibited acts are, first, extraction and, second, re-utilisation. Legal definitions of the terms 'extraction' and 're-utilisation' are given in Article 7(2) of the Directive.

60. However, the prohibition laid down by Article 7(1) is not absolute, but requires the whole or a substantial part of a database to have been affected by a prohibited act.

61. The two defining elements must therefore be examined on the basis of the criterion determining application of Article 7(1) and (5): 'substantial' or 'insubstantial' part as the case may be. Thereafter the prohibited acts under Article 7(1) and (5) are to be considered.

1. Substantial or insubstantial parts of a database

a) General observations (first question)

62. It was contended in the proceedings that Article 7(1) of the Directive only prohibits acts which entail that the data are arranged in as systematic or methodical a way and are as individually accessible as in the original database.

63. That argument must be understood as laying down a condition for the application of the *sui generis* right. Whether there is in fact any such condition must be determined on the basis of the provisions on the object of protection and in particular on the basis of the legal definition laid down in Article 7(2) of the acts prohibited under Article 7(1).

64. Neither Article 7(1) nor Article 7(5) of the Directive lays down the above condition expressly or makes any reference to it. Rather, the fact that express reference is made in Article 1(2) to arrangement 'in a systematic or methodical way' whereas no such reference is made in Article 7 suggests the opposite conclusion, that is to say, that the Community legislature did not intend to make that criterion a condition for the application of Article 7.

65. Moreover, the very purpose of the Directive precludes such an additional criterion.

66. The protection provided for in Article 7 would be undermined by such an additional criterion because the prohibition laid down by that article could be circumvented by simple alteration of parts of the database.

67. The 38th recital in the preamble to the Directive demonstrates that the Directive was also intended to prohibit possible breaches consisting in the rearrangement of the contents of a database. That recital refers to that risk and to the inadequacy of copyright protection.

68. The purpose of the Directive is precisely the creation of a new right, and even the 46th recital cannot refute that as it concerns another aspect.

69. Even the 45th recital, according to which copyright protection is not to be extended to mere facts or data, does not support the argument for an additional criterion. That, of course, does not mean that the protection covers the data themselves or individual data. The object of protection is and remains the database.

70. Accordingly it must be considered that the fact of having the same systematic or methodical arrangement as the original database does not constitute a criterion for the determination of the legality of the actions taken in connection with the database. Therefore, the view that the Directive does not protect data which are compiled in an altered or differently structured way is fundamentally mistaken.

71. The answer to the first question referred should therefore be that the expressions 'a substantial part ... of the contents of that database' or 'insubstantial parts of the contents of the database' in Article 7 of the Directive can also cover works, data or other materials derived from the database but which do not have the same systematic or methodical arrangement of and individual accessibility to be found in the original database.

b) The expression 'substantial part of the contents of a database' in Article 7(1) of the Directive (first, fourth and sixth questions)

72. This question seeks an interpretation of the term 'substantial part of the contents of a database' in Article 7(1) of the Directive. In contrast with other key terms in the Directive there is no legal definition of this term. It was removed in the course of the legislative procedure, at the stage of the Common Position of the Council, to be precise.

73. Article 7(1) of the Directive provides for two alternatives. As is clear from the wording a part may be substantial in quantitative or qualitative terms. The wording chosen by the Community legislature must be interpreted as meaning that a part may be substantial even

when it is not substantial in terms of quantity but is in terms of quality. Thus the argument that there must always be a minimum in terms of quantity must be dismissed.

74. The quantitative alternative must be understood as requiring the amount of the part of the database affected by the prohibited act to be determined. That raises the question whether this must be assessed in relative or absolute terms. In other words whether a comparison must be made of the amount in question with the whole of the contents of the database (18) or whether the affected part is to be assessed in itself.

75. In that connection, it must be observed that a relative assessment would tend to disadvantage the makers of large databases (19) because the larger the total amount the less substantial the affected part. However, in such a case, a qualitative assessment undertaken at the same time could balance out the equation where a relatively small affected part could none the less be considered substantial in terms of quality. Equally, it would be possible to combine both quantitative approaches. On that basis even a part which was small in relative terms could be considered substantial because of its absolute size.

76. The question also arises whether the quantitative assessment can be combined with the qualitative. Of course, it only arises in cases where an assessment in terms of quality is possible in the first place. If it is, there is nothing to prevent the affected parts from being assessed according to both methods.

77. In a qualitative assessment, technical or economic value is relevant in any event. (20) Thus, a part which is not large in volume but is substantial in terms of value may also be covered. Examples of valuable characteristics of lists in the field of sport would be completeness and accuracy.

78. The economic value of an affected part is generally measured in terms of the drop in demand (21) caused by the fact that the affected part is not extracted or re-utilised under market conditions but in some other way. The affected part and its economic value can also be assessed from the point of view of the wrongdoer, that is to say in terms of what the person extracting it or re-utilising it has saved.

79. In the light of the objective of protecting investment pursued by Article 7 of the Directive, the investment made by the maker will always have to be taken into consideration in the assessment of whether a substantial part is involved. (22) According to the 42nd recital, the prohibition on extraction and re-utilisation is intended to prevent detriment to investments. (23)

80. Thus, investments, and in particular the cost of obtaining data, can also be a factor in the assessment of the value of the affected part of a database. (24)

81. There is no legal definition in the Directive of the point at which a part becomes substantial. The unanimous view expressed in legal writings is that the Community legislature intentionally left such demarcation to the courts. (25)

82. However, the question whether a substantial part is affected may not be allowed to depend on whether there is significant detriment. (26) Mere reference to such detriment in a recital, that is to say at the end of the 42nd recital, cannot be sufficient to cause the threshold for protection to be set so high. It is, moreover, debatable whether 'significant detriment' can be relied on as a criterion for defining substantialness at all since the 42nd recital could also be construed as meaning that 'significant detriment' is to be seen as an additional requirement in cases in which a substantial part is affected, that is to say in cases where substantialness has already been established. Even the 'serious economic and technical consequences' of prohibited acts referred to in the eighth recital cannot justify too strict an assessment in relation to detriment. Both recitals serve, rather, to emphasise the economic necessity for protection of databases. ...

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