

RESPONSE TO THE COALITION AGAINST DATABASE PIRACY MEMORANDUM

The October 27, 2003, memorandum from C. Boyden Gray and Jamie Gorelick to the Coalition Against Database Piracy (“CADP memo”) contains numerous concessions, omissions, and misrepresentations that reveal the weakness of the case in favor of the adoption of H.R. 3261. In particular, the CADP memo concedes that

- There is no hard data on the harm the database industry is suffering as a result of alleged insufficient protection;
- There is a functioning market for database services; and
- H.R. 3261 would create perpetual protection for existing databases.

A. The CADP Memo Minimizes The Effectiveness of Copyright Protection For Databases.

1. The CADP Memo Trivializes The Creativity Of Most Databases

In an effort to prove that after *Feist v. Rural Telephone*, 499 U.S. 340 (1991), databases do not receive meaningful copyright protection, the CADP memo trivializes the creativity that goes into most databases. As the court in *Positive Software Solutions, Inc., v. New Century Mortgage Corporation*, 259 F. Supp. 2d 531 (N.D. Tex. 2003) recently found, “a database is not simply a show box into which all the information is thrown. It is, rather, a very structured hierarchy of information.”

The court in *Corsearch v. Thomson & Thomson*, 792 F. Supp. 305 (S.D.N.Y. 1992), reached a similar conclusion. In *Corsearch*, decided the year after *Feist*, the court considered a database of trademark information Thomson & Thomson had assembled from all 50 states. Thomson & Thomson developed a set of fields, and then input the information for each trademark by field. The court found that Thomson & Thomson “offered sufficient evidence of its selection, coordination, enhancement and programming of the state trademark data, as well as other contributions that establish the originality and requisite creativity, and thus copyrightability, of the ... database.” *Id.* at 322.

2. The CADP Memo Ignores Decisions Finding Copyright Infringement

The CADP memo asserts that the few copyright cases it cites are “simply emblematic of a much broader problem, evidenced by a raft of litigation in which database owners try (unsuccessfully) to prevent others from pirating their hard-earned compilations....” CADP memo at 4-5. The CADP memo neglects to mention the many post-*Feist* cases where courts found that the defendant infringed the copyright in a database. See, e.g., *American Dental Ass’n v. Delta Dental Plans Ass’n*, 126 F.3d 977 (7th Cir. 1997)(reversing lower court’s finding that list of procedures was system unprotected under 17 U.S.C. § 102(b)); *Practice Management Info. Corp. v. American Medical Ass’n*, 121 F.3d 516 (9th Cir.), cert. denied, 522 U.S. 933, amended, 133 F.3d 1140 (9th Cir. 1997))(list of medical procedures copyrightable but AMA denied protection because it misused its copyright); *Nihon Keizai Shimbun v. Compline Business*

Data, 49 U.S.P.Q.2d 1516 (2nd Cir. 1999)(infringement found where defendant copied twenty abstracts from plaintiff's database of 900,000 abstracts). *U.S. Payphone, Inc. v. Executives Unlimited of Durham, Inc.*, 18 U.S.P.Q.2D (BNA) 2049 (4th Cir. 1991) (affirming finding that defendant was liable for copyright infringement); *CCC Info Servs., Inc. v. Maclean Hunter Mkt. Reps., Inc.*, 44 F.3d 61 (2d Cir. 1994), *cert. denied*, 516 U.S. 817 (1995) (entering judgment that plaintiff infringed copyright by copying estimated used car prices); *Lipton v. Nature Co.*, 71 F.3d 464 (2d Cir. 1995) (affirming grant of summary judgment on defendant's copyright infringement); *Montgomery County Association of Realtors v. Realty Photo Master*, 878 F. Supp. 804 (D. Md. 1995), *aff'd*, 91 F.3d 132 (4th Cir. 1996)(defendant liable for infringing the copyright in the multiple listing service); *Nester's Map & Guide Corp. v. Hagstrom Map Co.*, 796 F. Supp. 729 (E.D.N.Y. 1992) (enjoining defendant from infringing plaintiff's copyright); *Budish v. Gordon*, 784 F. Supp. 1320 (N.D. Ohio 1992) (enjoining defendants from infringing plaintiff's copyright); *Oasis Publ'g Co. v. West Publ'g Co.*, 924 F. Supp. 918 (D. Minn. 1996) (summary judgment denying plaintiff's request for declaratory ruling on defendant's copyright claim); *Castle Rock Entertainment v. Carol Publ'g Group, Inc.*, 955 F. Supp. 260 (S.D.N.Y. 1997), *aff'd*, 150 F.3d 132 (2d Cir. 1998) (granting plaintiff's motion for summary judgment on the issue of defendant's liability for copyright infringement); *University of Colo. Found. v. American Cyanamid*, 880 F. Supp. 1387 (granting summary judgment to plaintiff on issue of copyright infringement), *recon. granted, motion denied*, 902 F. Supp. 221 (D. Colo. 1995) (affirming plaintiff's grant of summary judgment for copyright infringement), *judgment entered*, 974 F. Supp. 1339 (D. Colo. 1997); *Medical-Legal Consulting Inst., Inc. v. McHugh*, 1998 U.S. Dist. LEXIS 8623 (E.D. Pa. 1998) (finding defendants liable for infringing plaintiff's copyright); and *Metropolitan Dade County v. Florida Power & Light Co.*, 45 U.S.P.Q.2d (BNA) 1667 (Fla. Cir. Ct. 1998) (denying request for declaratory judgment allowing plaintiff to copy defendant's material).

Indeed, some courts have extended copyright protection to individual "created" facts within a database. In *CDN Inc. v. Kenneth A. Kapes*, 197 F.3d 1256 (9th Cir. 1999), for example, the Ninth Circuit held that the prices listed in a wholesale price guide for rare coins contained copyrightable subject matter. In its decision, the court focused on the manner in which the prices were derived, considering them expressions of the plaintiff's idea of wholesale coin prices. The court found that CDN used "considerable expertise and judgment" when determining how a multitude of factors would affect a coin's estimated wholesale price. *Id.* at 1260.

3. The CADP Memo Misrepresents *Schoolhouse v. Anderson*

At the September 23, 2003 hearing on the discussion draft that subsequently was introduced as H.R. 3261, the CADP witness testified that Anderson admitted to copying 74% of the facts Schoolhouse's database. In his October 15, 2003 letter to Chairmen Smith and Stearns, Tom Donohue, the President of the U.S. Chamber of Commerce, responded to the CADP witness by observing that "the district court found that there was no evidence of copying...." Donohue Letter at 3. The CADP memo now asserts that "the district court fail[ed] to make such a finding...." CADP memo at 3. To the contrary, the district court specifically said that Schoolhouse "does not show circumstantial evidence

of copying sufficient to support a claim of infringement....” *Schoolhouse, Inc. v. Anderson*, No. 99-1214, 2000 U.S. Dist. LEXIS 22524, at *19 (D. Minn. November 8, 2000), *aff’d*, 275 F.3d 726 (8th Cir. 2001). Moreover, the district court decision does not reflect that Schoolhouse sought to introduce any direct evidence of copying to rebut Anderson’s argument that he independently obtained the public record information in his database. Finally, the CADP memo ignores the Eight Circuit’s statement that “[a]lthough there are some objective similarities in the ideas expressed by Schoolhouse’s table and Anderson’s website, the two works express their ideas so differently that ordinary, reasonable minds could not find them substantially similar.” *Schoolhouse, Inc. v. Anderson*, 275 F.3d 726, 731 (8th Cir. 2001).

4. *Skinder-Strauss* Demonstrates the Harm H.R. 3261 Will Cause.

The CADP memo provides *Skinder-Strauss Associates v. Massachusetts Continuing Legal Education, Inc.*, 914 F. Supp. 665 (D. Ma. 1995) as an example of the gap in the law that H.R. 3261 will plug. The alleged “pirate” in *Skinder-Strauss* was a non-profit corporation sponsored by the Massachusetts and Boston Bar Associations. Thus, this case demonstrates that if Congress enacts H.R. 3261, activities routinely engaged in by legitimate businesses will become unlawful. While the CADP memo uses the term “pirate” liberally, it should be noted that CADP members have themselves been found liable for infringing the intellectual property rights of others. For example, in *Lynch, Jones & Ryan v. Standard & Poor’s and the McGraw Hill Company*, P.C. No. 13165, 1998 N.Y. Misc. LEXIS 334 (S.Ct. N.Y. June 15, 1998), a New York state court refused to dismiss an unfair competition complaint that a McGraw Hill on-line service improperly gained access to market research developed by a competitor, and made it available to its own subscribers during an embargo period. Similarly, the Supreme Court in *New York Times v. Tasini*, 533 U.S. 483 (2001), held that Lexis/Nexis and other publishers infringed the copyrights of free-lance writers when the publishers distributed the free-lance writer’s articles electronically without the writers’ permission.

The use of the term “pirate” is no accident. The CADP memo obviously wants to associate H.R. 3261 with the entertainment industry’s struggle against online infringement through peer-to-peer systems such as KaZaa. However, the two situations are completely different. In the P2P context, millions of individuals exchange popular sound recordings directly with one another, making it difficult for the record companies to prevent the infringement. Even if the record companies successfully shut down some of the infringers, millions of other users will continue to exchange files. In contrast, in the database context, end-users do not exchange databases over the Internet. Rather, commercial entities extract information from existing databases to create competing products. If a database publisher believes that a competitor has infringed an intellectual property right or breached a contract, the publisher has little difficulty identifying the competitor and initiating legal proceedings against it. Thus, H.R. 3261’s objective is not the prevention of Internet piracy; it is the prevention of competition.

Two additional points relating to the CADP memo’s discussion of *Skinder-Strauss*. First, the CADP memo concedes that the *Skinder-Strauss* court held that the

Skinder-Strauss Red Book, as a whole, is copyrightable as a compilation. Second, the CADP memo overlooks the court's quotation from *Key Publications, Inc. v. Chinatown Today*, 945 F.2d 509, 514 (2d Cir. 1991), cited on page 5 of the CADP memo, that although copyright protection in a factual compilation is thin, "it is [not] anorexic." *Skinder-Strauss*, 914 F. Supp. at 671.

5. The CADP Memo Ignores Recent Changes in the Copyright Act That Benefit Publishers.

In recent years Congress has amended the Copyright Act three times to the benefit of database publishers: The No Electronic Theft Act responded to the threat of Internet copyright infringement by closing loopholes in the criminal copyright provisions; the Sonny Bono Copyright Term Extension Act added twenty years to the term of copyright protection; and the Digital Millennium Copyright Act (DMCA) prohibits the circumvention of technological protection measures.

The DMCA is particularly noteworthy. For databases distributed in digital form, technological measures which prevent unauthorized access, reproduction, and distribution are becoming more prevalent and powerful. These methods include encryption, serial copy controls, and watermarking. In 1998, Congress concluded that technological measures were rapidly becoming the front line in the fight against piracy. Accordingly, Congress enacted the DMCA, which prohibits the circumvention of technological measures controlling access to copyrighted works, and bans the manufacture of circumvention devices. The DMCA's prohibition on circumvention applies to copyrightable databases, which as noted above includes the vast majority of databases. Further, the ban on circumvention devices helps the few non-copyrightable databases because it eliminates devices which would circumvent technological protections applied to such databases.

Database publishers strongly supported enactment of the DMCA, arguing that without legal protection for technological measures, publishers would not make their databases available in digital form. The U.S. Court of Appeals for the Second Circuit ruled that this provision of the DMCA was constitutional. *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2nd Cir. 2001).

B. The CADP Memo Minimizes The Effectiveness of Contract Law In Protecting Databases.

The CADP memo argues that license protection for databases is "wholly unsatisfactory" because it binds only licensees and not third parties who obtained the database from the licensee. Additionally, contract law varies from state to state, and not all states might enforce shrink-wrap or click-wrap licenses. Finally, a publisher that relies upon licenses must "bury its database behind such an agreement...." CADP Memo at 3. These arguments have no merit.

1. The CADP Memo Overstates the Contractual Privity Limitation.

Although the publisher could not sue the third party for breach of contract, the publisher would still have a claim against the licensee, who presumably breached the license by providing the database to the third party. Moreover, if the third party acquired the database knowing that it was under license, the third party could be liable to the licensor for inducing the licensee's breach. Furthermore, if the database is in digital form, every user could be required to click-on a license before using the database, thereby eliminating the "contractual privity" problem altogether. In any event, the CADP memo does not offer a single example of where a third party disseminated a database after receiving it from a licensee. In particular, the CADP memo offers no evidence that Warren, a publisher that the CAPD memo concedes relies on shrink-wrap licenses, has suffered any harm since it began employing such licenses.

2. Courts Enforce Shrink-Wrap Licenses Against Commercial Competitors.

While courts have not uniformly enforced shrink-wrap and click-on licenses against consumers, courts almost always enforce them against commercial competitors. Judge Easterbrook in the Seventh Circuit found a shrink-wrap license prohibiting the copying of telephone listings stored in a CD-ROM enforceable as a matter of state contract law and not preempted by the Copyright Act. *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996).

More recently, the district court in *Information Handling Servs., Inc. v. LRP Publications, Inc.*, No. 00-1859, 2000 U.S. Dist. LEXIS 14531 (E.D. Pa. 2000), held that a shrink-wrap license prohibiting the copying of a database was enforceable against a competing publisher even though the database contained uncopyrightable decisions of the Equal Employment Opportunity Commission.

The Eleventh Circuit in *Lipscher v. LRP Publications*, 266 F.3d 1305 (11th Cir. 2001), also found that the Copyright Act did not preempt a subscription agreement that prohibited the copying of information from a newsletter summarizing individual jury verdicts. This ruling allowed the jury's determination that LRP breached the subscription agreement to stand.

Similarly, in *Matthew Bender & Co. v. Jurisline.com, LLC*, 91 F. Supp. 2d 677 (S.D.N.Y. 2000), the district court held that a shrink-wrap license that prohibits the copying of a database of public domain legal decisions was enforceable. The court rejected the defendant's argument that the plaintiff was attempting to create a copyright over uncopyrightable materials. The court concluded that the contract rights the plaintiff sought to enforce were not equivalent to rights specified by the copyright law and thus were not preempted.

Courts also have found enforceable browse-wrap licenses on websites. In *Register.com v. Verio*, 126 F. Supp. 2d 238 (S.D.N.Y. 2000), the court found that Verio breached the browse-wrap license on the Register.com website when it used information extracted from Register.com's publicly accessible WHOIS database for telemarketing

purposes. *See also American Airlines, Inc., v. FareChase, Inc.*, No. 067-194022-02 (Tex. Dist. Ct. March 8, 2003).

Finally, enactment of database legislation is no guarantee of uniform protection. The EU Database Directive, on which H.R. 3261 is modeled, has been interpreted and applied differently by courts across Europe. H.R. 3261 is at least as ambiguous as the Database Directive, and will lead to decades of litigation as courts and publishers struggle to understand its provisions.

3. Use of a Shrink-Wrap or Click-Wrap License Does Not Require Burial of a Database.

The CADP memo's statement that a publisher that relies on a license must "bury" its database behind such an agreement implies that these licenses are rarely used and impose a logistical burden on consumers. In fact, shrink-wrap, browse-wrap, and click-on licenses are widely used for many digital products, including computer software, videogames, films on DVDs, websites, and many varieties of databases. These ubiquitous licenses do not interfere with ease of use. A shrink-wrap or browse-wrap license does not require the user to take any additional action to manifest his assent to the agreement, and a click-wrap license simply requires the user to click-on an "I agree" icon.

Indeed, to the extent that there is any "burying" with respect to shrink-wrap licenses, it is the licensors' burying of unfair terms deep in the legalese of the license agreement. Corporate and consumer licensees have become more aware of the onerous terms that licensors are imposing on them unilaterally, and have begun to resent the cavalier manner in which the licensors treat them. This suggests that the publishers' real concern is not that shrink-wraps are ineffective, but that they generate bad public relations. Rather than impose draconian terms themselves, the publishers would prefer for Congress to play the "heavy." When they use database legislation to stamp out competition, the publishers will argue that they are simply vindicating rights granted by Congress, instead of enforcing terms they dictated to their customers.

4. The CADP Memo Ignores the *Ticketmaster* Court's Contract Rulings.

The CAPD memo discusses *Ticketmaster's* rulings concerning trespass to chattels (which will be addressed below), but completely ignores the court's ruling on the browse-wrap license. In March, 2003, the *Ticketmaster* court denied Ticket.com's motion for summary judgment, and ordered that Ticketmaster's contract claim proceed to trial. The court found that "a contract can be formed by proceeding into the interior web pages after knowledge (or in some cases, presumptive knowledge) of the conditions accepted when doing so." *Ticketmaster Corp. v. Tickets.com*, CV99-7654, 2003 U.S. Dist. LEXIS 6483, *9 (C.D. Cal. March 6, 2003). This ruling flatly contradicts the testimony of the CADP witness at the September 23 hearing, where the CADP witness stated that the court had rejected Ticketmaster's breach of contract claim. While the court indicated that it would prefer a rule that required "unmistakable assent" in the form of clicking on an "I

agree” icon, the court observed that courts routinely enforce both shrink-wrap and browse-wrap licenses. *Id.* at *8-9.

C. The CADP Memo Minimizes the Effectiveness of Trespass to Chattels and the Computer Fraud and Abuse Act.

1. The CADP Memo Distorts the Law of Trespass to Chattels

In its discussion of the *Ticketmaster* case, the CAPD memo correctly notes that the court rejected Ticketmaster’s trespass claim on the grounds that the claim required “tangible interference with the use or operation of the computer being invaded by the spider,” and Ticketmaster had not shown such harm. *Id.* at *12. The CADP memo further correctly observes that the California Supreme Court in *Intel Corp. v. Hamidi*, 30 Cal. 4th 1342 (2003) held that trespass is actionable only if there is actual or threatened injury to the personal property or to the possessor’s legally protected interest in the property. From this, the CADP memo concludes that trespass to chattels is an ineffective claim in database cases because the database publisher will be unable to show actual or threatened harm to its computer.

The CADP memo completely ignores the *Hamidi* decision’s discussion of the issue of threatened harm. The *Hamidi* Court indicated that “threatened harm” was sufficient to establish trespass liability. *Id.* at 1356. In its analysis, it cited *eBay v. Bidder’s Edge*, 100 F. Supp.2d 1058 (N.D. Ca. 2000), with approval, noting that harm could be established by demonstrating that there is a potential that others could engage in the same activity as the defendant and the cumulative impact could impair the operation of the system. *Id.* at 1355.

The significance of the California Supreme Court’s approval of *Bidder’s Edge* cannot be overstated. Bidder’s Edge was an “auction aggregator” that combined the auction listings from numerous online auction sites, including eBay, so that a user could go to one site to see what was available on all sites, rather than making separate visits to each auction site. To obtain the auction listings from eBay and the other auction sites, Bidder’s Edge used software “web crawlers” that made multiple queries of the eBay auction database – sometimes as many as 100,000 times per day. In response to eBay’s trespass claim, Bidder’s Edge argued that it caused no harm eBay’s servers because its searches represented a negligible load on eBay’s system, using less than 2% of eBay’s capacity. The court, however, speculated about the injury that might result if it did not stop BE: “If BE’s activity is allowed to continue unchecked, it would encourage other auction aggregators to engage in similar recursive searching of the eBay system such that eBay would suffer irreparable harm from reduced system performance, system unavailability, or data loss.” *eBay v. Bidder’s Edge*, 100 F. Supp.2d 1058, 1066 (N.D. Ca. 2000). Later in the decision, the court observed that if it did not enjoin Bidder’s Edge, “it would likely encourage other auction aggregators to crawl the eBay site, potentially to the point of denying effective access to eBay’s customers. If...other aggregators began to crawl the eBay site, there appears to be little doubt that the load on eBay’s computer system would qualify as a substantial impairment of condition or value.” *Id.* at 1071-72.

The *Hamidi* Court recognized that *Ticketmaster* rejected the trespass claim, but stressed the evidentiary basis for *Ticketmaster*'s holding. *Hamidi* quoted, in italics, *Ticketmaster*'s statement that "[n]or here is the specter of dozens or more parasites joining the fray, the cumulative total of which could affect the operation of [the plaintiff's] business." Likewise, *Hamidi* quoted the statement in *Register.com v. Verio*, 126 F. Supp. 2d 238 (S.D.N.Y. 2000), that "if Verio's searching of Register.com's WHOIS database were determined to be lawful, then every purveyor of Internet-based services would engage in similar conduct." 30 Cal. 4th at 1355 (citations omitted). *Hamidi* observed that "Register.com had a legitimate fear 'that its servers will be flooded by search robots.'" *Id.*

In sum, relying on *Bidder's Edge*, *Ticketmaster*, and *Register.com*, the *Hamidi* Court concluded that a plaintiff could prevail on a trespass claim if it introduced evidence that its system might be overwhelmed if other parties imitated the defendant's actions. A well represented plaintiff should have little difficulty producing expert witnesses willing to testify to the threat posed by unnamed competitors.

2. The CADP Memo Incorrectly Dismisses the Utility of the Computer Fraud and Abuse Act.

The CADP memo brushes aside the Computer Fraud and Abuse Act (CFAA) in a couple of sentences, unfairly denigrating this powerful tool. The CFAA is the primary vehicle the federal government uses to prosecute computer crime. In 1996, Congress amended the CFAA to impose liability on whomever "intentionally accesses a computer without authorization or exceeds authorized access, and thereby obtains ... information from any protected computer involved in interstate commerce." 18 U.S.C. § 1030(a)(2)(C). A "protected computer" is defined as a computer "which is used in interstate or foreign commerce or communication..." § 1030(e)(2)(B). Thus, any computer that is connected to the Internet is a "protected computer."

Although primarily a criminal statute, the CFAA permits a private cause of action to be brought by "[a]ny person who suffers damage or loss by reason of a violation of this section..." § 1030(g). When Congress first created the private cause of action, it contained ambiguous terms that confused courts and litigants and thus reduced its effectiveness. However, the USA-PATRIOT Act passed by Congress in the wake of the September 11, 2001, attacks amended the CFAA to eliminate these ambiguities.

The statute as amended contains clear jurisdictional thresholds for the bringing of a private action. The threshold of greatest relevance in database cases is that the conduct at issue caused "loss to 1 or more persons during any 1-year period ... aggregating at least \$5,000 in value." § 1030(a)(5)(B)(i). "Loss" includes the any reasonable cost to the victim, including the cost of responding to the offense or conducting a damage assessment. Thus, a website operator can obtain injunctive relief and an award of economic damages against a person who extracts without authorization one fact from its website, provided that the operator spends \$5,000 on a "damage assessment."

Prior to the amendment of the CFAA in the USA-PATRIOT Act, two courts found CFAA violations based upon the extraction of information from online databases. The court in *Register.com v. Verio*, 126 F. Supp. 2d 238 (S.D.N.Y. 2000), ruled that Register.com was likely to prevail on its CFAA claims arising from Verio's use of an Internet search robot to extract raw facts from Register.com's publicly accessible WHOIS database. Similarly, the U.S. Court of Appeals for the First Circuit in *EF Cultural Travel v. Explorica*, 274 F.3d 577 (1st Cir. 2001) imposed CFAA liability on Explorica, a company that offered student travel services, for using an Internet "scraper" program to mine price information from the publicly accessible EF website.

EF also brought a CFAA action against Zefer, a software firm that helped Explorica develop the scraper program, but EF failed to prove that Zefer had exceeded authorized access. *EF Cultural Travel BV v. Zefer Corp.*, 318 F.3d 58 (1st Cir. 2003). At the time Zefer used its scraper on EF's site, EF had not specifically prohibited the use of its website by scrapers or competitors. The First Circuit noted that "[a] lack of authorization could be established by an explicit statement on the website restricting access," but found that EF "had no such explicit prohibition in place...." *Id.* at 62. While denying EF's claim against Zefer, the court found that a database publisher could avail itself of the CFAA's protections if it simply included "a sentence on its home page or in its terms of use stating that 'no scrapers may be used....'" *Id.* at 63.

Notwithstanding these decisions and the recent amendments to the CFAA which eliminated its ambiguous language, the CADP memo states without any explanation that "it remains unclear whether the CFAA applies to unauthorized harvesting of data from publicly available websites or other services." CADP memo at 4. To the contrary, there is no question that the CFAA prohibits the unauthorized extraction of information from websites.

The CADP memo also notes that the CFAA applies only to information stored in protected computers, and thus provides no protection to databases distributed by CD-ROM or in hard copy. This is undeniably true. As with every other product in the economy, different channels of database distribution carry different kinds of risk. An on-line database is easy to copy digitally, but can be protected by trespass to chattels and the CFAA, as well as copyright and contract. In contrast, an analog database cannot be copied with a single keystroke, but it also cannot avail itself of the CFAA and trespass. The publisher can balance the risks and rewards of each channel of distribution, and make a decision on the optimal channel for a particular database. The proponents of H.R. 3261, however, seek to eliminate any business risk from any channel of distribution.

D. The CADP Memo Concedes That There Is No Evidence Of Market Failure.

The CADP memo concedes that there is no hard data on the effect of the absence of database legislation. CADP memo at 5. The CADP memo further admits there exists a market for database services. *Id.* Nonetheless, the CADP memo justifies the introduction of new legislation that will destabilize the information market in this country on two grounds. First, the CADP memo asserts without support that "if H.R. 3261 were in place, the incentives of database providers to create and maintain databases of

increasingly high quality would undeniably increase.” But increasing protection will increase incentive only if insufficient incentive now exists. The presence of many databases in the market, however, indicates that adequate incentives are in place. Stated differently, increasing protection can increase incentives only if there is a demand for databases that is not being met because publishers fear their databases will be copied. Yet the CADP memo offers no evidence of this unsatisfied demand.

Additionally, the CADP memo’s one sentence economic analysis altogether overlooks the impact of the increased cost of data inputs. Most database developers rely to varying degrees on inputs from other databases. Few publishers gather or generate all the information themselves. H.R. 3261 will increase the cost of data to the developers that rely on other databases. These publishers no longer will be able to mine information at no or low cost. By increasing their costs, H.R. 3261 will reduce their incentive to develop innovative, value-added databases.

The CADP memo’s second justification for more protection is that “it is fundamentally unfair to deprive a person of fair compensation for the value of his services.” *Id.* This is the true heart of the proponents’ argument for legislation. Any economic rationale concerning increasing incentives for database production is based on pure speculation. Highlighting the importance of fairness is one of the CADP memo’s justifications for making H.R. 3261 retroactive: “to ensure compensation for past efforts....” *Id.* But if “fairness” is the standard by which Congress is to evaluate intellectual property laws, then they all require major amendment. It is fair that the Patent & Trademark Office rejects thousands of patent applications for inventions that are novel and useful, but obvious to a person skilled in the art? Is it fair that the copyright system protects expression but not ideas? Is it fair that there is no performance right for analog sound recordings? Is it fair that the designs of dresses and furniture do not receive any kind of intellectual property protection? Is it fair that an invention developed though thousands of hours by highly trained engineers can receive only twenty years of protection, while a poem written by a child in ten minutes receives protection for the life of the author plus 70 years?

And if fairness is the standard by which H.R. 3261 must be evaluated, Congress should ask whether it is fair to enact a statute that benefits large, established publishers at the expense of new entrants. Is it fair to grant publishers an oligopoly over judicial opinions and statutes created at public expense? Is it fair to allow large online retailers to prevent comparison shopping by consumers? Is it fair to create a regime that will lead to a dramatic increase in the cost of journal subscriptions paid by libraries? Is it fair to allow financial exchanges and sports leagues to control downstream uses of information generated in their venues?

E. The CADP Memo Misuses the Term Misappropriation.

The CADP memo’s discussion of misappropriation is full of contradictions. *See* CADP memo at 5-6. First, it asserts that any legislation that prevents the application of another’s property or money dishonestly to one’s own use is a misappropriation bill. Next, it acknowledges that in the information context, misappropriation refers to the

improper use of “hot news,” as in *International News Service v. Associated Press*, 248 U.S. 215 (1918). The CADP memo asserts that H.R. 3261 is consistent with *INS* because it contains a time sensitivity provision. But then the CADP memo doubles back on itself, and concedes that H.R. 3261 expands the common law understanding of misappropriation to include the protection of “a database during the period of time it is commercially valuable.” This time period can stretch indefinitely into the future by updating and otherwise maintaining the database. CADP memo at 6. Moreover, this protection reaches indefinitely into the past because it applies to databases already in existence. *Id.* at 5.

In short, H.R. 3261 enables a publisher controlling a large collection of historical information – for example, court decisions, batting averages, or weather data – to receive perpetual protection for that collection by routinely updating it. This perpetual protection is the complete antithesis of hot news misappropriation recognized by the Supreme Court in *INS* and the Second Circuit in *NBA v. Motorola*, 105 F.3d 841 (2nd Cir. 1997). As the CADP memo acknowledges, H.R. 3261’s time sensitivity provision could protect information so long as it retains any commercial value. In contrast, under the hot news doctrine, protection would extend only to information whose value “is highly time sensitive....” *Id.* at 852. In *INS*, the protection extended for hours; in *NBA*, for minutes. Conversely, under H.R. 3261, protection could last for decades or even centuries.

F. The CADP Memo Understates The Serious Constitutional Problems With H.R. 3261.

1. Congress Does Not Have The Authority To Enact Broad Database Legislation.

In arguing that Congress has the authority to enact H.R. 3261, the CADP memo relies on a law review article written by Paul Bender, a law professor at the Arizona State University College of Law. The CADP memo fails to mention that Professor Bender is hardly an impartial expert on this subject. He is of counsel to Meyer & Klipper, the law firm that has led the lobbying effort for database legislation. (Michael Klipper has registered to lobby in favor of database legislation on behalf of Reed-Elsevier and CADP.) In contrast, numerous independent scholars have identified serious constitutional problems with database legislation. *See, e.g.*, Yochai Benkler, *Constitutional Bounds of Database Protection: The Role of Judicial Review in the Creation and Definition of Private Rights in Information*, 15 Berkeley Tech. L. J. 535 (2000); William Patry, *The Enumerated Powers Doctrine and Intellectual Property*, 67 Geo. Wash. L. Rev. 360 (1999); Malla Pollock, *The Right to Know?: Delimiting Database Protection at the Juncture of the Commerce Clause, the Intellectual Property Clause, and the First Amendment*, 17 Cardozo Arts & Ent. L. J. 47 (1999); Paul J. Heald & Suzanna Sherry, *Implied Limits on Legislative Power: The Intellectual Property Clause as an Absolute Restraint on Congress*, 2000 Ill. L. Rev. 1119 (2000).

These law review articles make the same basic point: Congress cannot rely on its power under the Commerce Clause to circumvent a restriction on its power under the Intellectual Property Clause. Yet that is precisely what H.R. 3261 seeks to do.

In *Feist v. Rural Telephone*, 499 U.S. 340, 353 (1991), the unanimous Court held that “no one may copyright facts or ideas.” The Court rejected the “sweat of the brow” doctrine, under which the copyright in a database extended to the facts it contained. The Court stated that the sweat of the brow doctrine “flouted basic copyright principles,” *Id.* at 354, and concluded that “only the compiler’s selection and arrangement may be protected; the raw facts may be copied at will.” *Id.* at 350. Significantly, the *Feist* Court based its ruling not on the Copyright Act, but on the Intellectual Property Clause of the U.S. Constitution. Article I, Section 8, cl. 8 authorizes Congress “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors ... the exclusive Right to their Respective Writings...” From this clause, the Court inferred that “[o]riginality is a constitutional requirement” for copyright protection, *Feist*, 499 U.S. at 346, and held that facts by definition are not original. They are discovered rather than created. *Id.* at 347.

Database legislation such as H.R. 3261 is in potential conflict with *Feist*’s injunction that “raw facts may be copied at will.” *Id.* at 350. The Court in *Railway Labor Executives’ Ass’n. v. Gibbons*, 455 U.S. 457 (1982), considered a similar conflict -- a statute enacted by Congress pursuant to the Commerce Clause which provided protection to employees of a railroad in bankruptcy. The Court held that the statute was inconsistent with the uniformity requirement of the Bankruptcy Clause. *Id.* at 471. The Court further held that Congress cannot avoid the particular requirements of one enumerated power by relying on another power; Congress cannot avoid the uniformity requirement of the Bankruptcy Clause by relying on the generality of the Commerce Clause. *Id.* at 468-469.

Congress would enact H.R. 3261 pursuant to its power under the Commerce Clause. But under *Railway Labor*, Congress may not invoke the commerce power to do what the Intellectual Property Clause bars it from doing: granting “exclusive Right[s]” in uncopyrightable subject matter. Congress cannot avoid the originality requirement of the Intellectual Property Clause by relying on the general powers of the Commerce Clause. Stated differently, the Intellectual Property Clause constitutes not only a grant of power to Congress but also a limitation on Congress. See *Bonito Boats v. Thundercraft Boats*, 489 U.S. 141, 146 (1989) (“[a]s we have noted in the past, the [Intellectual Property] Clause contains both a grant of power and certain limitations upon the exercise of that power”); *Graham v. John Deere Co.*, 383 U.S. 1, 5-6 (1966) (“[t]he clause is both a grant of power and a limitation. . . . Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available.”). The Intellectual Property Clause precludes Congress from providing protection against the copying of facts, and Congress cannot use the Commerce Clause to avoid the implicit strictures of the Intellectual Property Clause, as interpreted by the Court in *Feist*.

The Office of Legal Counsel of the Justice Department reached the same conclusion in 1998 when considering H.R. 2652, an earlier version of database legislation in the 105th Congress:

If the Intellectual Property Clause precluded Congress from providing protection against the copying of nonoriginal portions of factual compilations, even pursuant to a power other than conferred by that Clause, then Congress would not be able to use the Commerce Clause to avoid the implicit strictures of the Intellectual Property Clause that the Court in *Feist* could be said to have recognized, just as Congress may not use the Commerce Clause to avoid the Bankruptcy Clause's express requirement that bankruptcy laws be uniform....

Memorandum from William Michael Treanor, Deputy Assistant Attorney General, United States Department of Justice, to William P. Marshall, Associate White House Counsel (July 28, 1998). *See also* H.R. Rep. No. 105-525, at 28-31 (1998)(statement of dissenting views of Re. Zoe Lofgren, Member, House Comm. on the Judiciary).

2. The Lanham Act Is Distinguishable From H.R. 3261.

The CADP memo brushes the preceding authority aside by observing that Congress enacted the Lanham Act pursuant to its commerce power after the Supreme Court specifically held that Congress could not base trademark protections on the Intellectual Property Clause. The CADP further notes that Congress has enacted a trade secret law under the Commerce Clause. A close examination of these precedents reveals that they do not support CADP's position.

Congress passed the first federal trademark law in 1870. In 1879, the Supreme Court ruled that the 1870 statute was an unconstitutional exercise of the Intellectual Property Clause. The Court reasoned that the Intellectual Property Clause applied to writings and discoveries, but that trademarks were neither. Accordingly, Congress could not regulate trademarks pursuant to the Intellectual Property Clause. Congress subsequently enacted the Lanham Act in 1946 pursuant to its commerce power.

While trademarks are not writings, and thus do not fall within the scope of the Intellectual Property Clause, databases clearly are writings, and unquestionably fall within the scope of the Intellectual Property Clause. (Copyright law, for example, applies to compilations. *See, e.g.*, 17 U.S.C. § 103.) When Congress regulates trademarks under the Commerce Clause, it need not worry about interfering with the provisions and policies of the Intellectual Property Clause, because the Intellectual Property Clause does not apply to trademarks. In contrast, if and when Congress regulates databases under the Commerce Clause, it must be very careful not to interfere with the provisions and policies of the Intellectual Property Clause, precisely because the Intellectual Property Clause applies to databases.

Moreover, the Supreme Court has made clear that trademark protection is qualitatively different from the protections afforded under the Intellectual Property Clause:

[I]ts general concern is with protecting consumers from confusion as to source. While that may result in the creation of quasi property rights in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation.

Bonito Boats, 489 U.S. at 157. Similarly, trade secret protection is fundamentally different from that of the Intellectual Property Clause: to secure a “most fundamental right, that of privacy, [which] is threatened when industrial espionage is condoned or made profitable.” *Kewanee Oil v. Bicron*, 416 U.S. 470 (1974).

In other words, trademark law protects consumers, trade secret law protects privacy, but database legislation such as H.R. 3261 seeks to protect the publisher’s incentive. Because it creates the kind of protection otherwise created by the Intellectual Property Clause, broad database legislation enacted under the Commerce Clause cannot survive constitutional scrutiny.

3. H.R. 3261’s Bells and Whistles Will Not Deceive the Supreme Court

In an effort to prove the constitutionality of H.R. 3261, the CADP memo tries to distinguish H.R. 3261 from the copyright law by stressing that “the legislation is specifically limited to circumstances in which piracy causes commercial harm, the database was generated at substantial cost, and the misappropriated database is made available in commerce ‘in a time sensitive manner.’” CADP memo at 5. These limitations are illusory. As noted above, H.R. 3261’s time sensitivity provision would preclude protection for a database only if its information had no commercial value. By permitting perpetual protection, H.R. 3261 could afford a database a longer term of protection than the Copyright Act. Further, even one lost sale would satisfy H.R. 3261’s injury requirement.

More profoundly, the legislative history of H.R. 3261 demonstrates that its objective is to reverse the Supreme Court’s rejection of the sweat of the brow doctrine in *Feist*. Ever since database legislation was first introduced in the 104th Congress, the sponsors’ stated goal has been to plug the gap in protection caused by the *Feist* decision. Indeed, the CADP memo itself proclaims that “the gap left by the *Feist* decision is both real and detrimental,” CADP memo at 1, and that “after *Feist*, the law provides the creators of databases with little if any practical protection.” *Id.* at 2. No matter how its proponents dress up H.R. 3261, the Supreme Court will see it for what it really is: a naked attempt to resurrect sweat of the brow and prohibit the copying of facts. As such, the Supreme Court will strike it down. Professor Hughes of Cardozo School of Law writes that “any transparent ruse by Congress...would also fall in the forbidden zone” of the Intellectual Property Clause. Justin Hughes, *How Extra-Copyright Protection of Databases Can be Constitutional*, 28 Dayton L. Rev. 159, 186 (2003).

4. The *Dastar* Decision Demonstrates That Congress Cannot Overturn *Feist* Using the Commerce Power.

The Supreme Court's recent decision in *Dastar v. Twentieth Century Fox*, 123 S.Ct. 2041 (2003), reinforces the forgoing analysis concerning the limits on Congress's power. In *Dastar*, a unanimous Supreme Court ruled that Section 43(a) of the Lanham Act did not create a cause of action for plagiarism -- the use of otherwise unprotected works and inventions without attribution. The Court stated that "[t]o hold otherwise would be akin to finding that § 43(a) created a species of perpetual patent and copyright, which Congress may not do." *Id.* at 2049.

In support of the proposition that Congress cannot create a species of perpetual copyright protection, the Court cited its decision in *Eldred v. Ashcroft*, 537 U.S. 186, 208 (2003). In *Eldred*, the Court held that the Constitution's Intellectual Property Clause prevented Congress from adopting perpetual patent or copyright protection. The *Dastar* Court, therefore, held that § 43(a) cannot not be interpreted to create a cause of action for plagiarism because to do so would in effect create a perpetual patent or copyright, which *Eldred* found is prohibited by the Constitution's Intellectual Property Clause.

Significantly, Congress adopted § 43(a) of the Lanham Act pursuant to its power under the Commerce Clause. Thus, the *Dastar* Court ruled that Congress could not rely on its power under the Commerce Clause to enact legislation that in effect creates a perpetual patent or copyright prohibited by the Intellectual Property Clause.

This analysis can be extended to *Feist* and database protection. As noted above, in *Feist*, a unanimous Supreme Court held that the Intellectual Property Clause prohibited Congress from extending copyright protection to unoriginal facts. Applying the reasoning of *Dastar* to *Feist*, Congress cannot rely on its power under the Commerce Clause to enact legislation that in effect prevents the copying facts, which is prohibited by the Intellectual Property Clause. Accordingly, database legislation that prevents the copying of facts violates the Constitution.

5. Database Legislation Modeled On *INS* And *NBA* Might Pass Constitutional Muster.

Although the Supreme Court would reject a disguised codification of sweat of the brow, it likely would permit a codification of the hot news misappropriation doctrine in *INS* and *NBA*. Professor Hughes notes that the Supreme Court in *Feist* mentioned the *INS* decision, and infers that "Congress might have some power outside the [Intellectual Property] Clause to regulate unfair competitive practices in information products. Hughes, 28 Dayton L. Rev. at 186. He candidly states that "[i]t is anyone's guess how much space there is for a Commerce Clause-based unfair competition law restricting the flow of publicly disclosed information." *Id.* at 187. After reviewing various judicial opinions and scholarly writings, Professor Hughes concludes that "[a]bsent more evidence, the safest bet is legislation that sticks close to *INS* misappropriation." *Id.* at 189. But see William Patry, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 Geo. Wash. L. Rev. 359 (1999), suggesting that any database legislation under the Commerce Clause would be unconstitutional.

6. H.R. 3261 Raises Serious First Amendment Questions.

Scholars and the Justice Department have also stated that database legislation could run afoul of the First Amendment. It is well settled that copyright's abhorrence of protection for facts has a clear First Amendment dimension. As the Court stated in *Harper & Row, Publishers, Inc. v. Nation Enters.* 471 U.S. 539, 582 (1985):

Our profound national commitment to the principle that debate on public issues should be uninhibited, robust, and wide-open leaves no room for a statutory monopoly over information and ideas. The arena of public debate would be quiet, indeed, if a politician could copyright his speeches or a philosopher his treatises and thus obtain a monopoly on the ideas they contained. A broad dissemination of principles, ideas, and factual information is crucial to the robust public debate and informed citizenry that are the essence of self-government. And every citizen must be permitted freely to marshal ideas and facts in the advocacy of particular political choices.

(Citations and quotation omitted.)

Earlier this year, the Court enlarged on this theme when it observed that the "copyright law contains built-in First Amendment accommodations" such as the idea/expression dichotomy. *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003). Quoting *Harper & Row*, the Court stated that the "idea/expression dichotomy strike[s] a definitional balance between the First Amendment and the Copyright Act by permitting the free communication of facts while still protecting an author's expression." *Id.*, quoting 471 U.S. at 556. The Court concluded that "[d]ue to this distinction, every ... fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication." *Id.*

Database legislation could frustrate this critical First Amendment accommodation. Professor Yochai Benkler wrote that H.R. 354, H.R. 3261's predecessor in the 106th Congress, failed to pass the intermediate level of scrutiny mandated for content-neutral regulation of speech. This is so "because there is no basis to believe that the important government interest claimed by its drafters really exists, and because even if there were such a basis, it regulates speech much more broadly than necessary to attain its stated goal." Yochai Benkler, *Constitutional Bounds of Database Protection: The Role of Judicial Review in the Creation and Definition of Private Rights in Information*, 15 Berkeley Tech. L. J. 535, 599 (2000).

The CADP memo dismisses these First Amendment concerns by asserting that H.R. 3261 does not apply to most uses of databases that would raise First Amendment concerns because "it includes substantial exemptions for non-profit, scientific, and educational uses" CAPD memo at 6. The CADP memo significantly overstates the scope of this exception. It exempts only the making available of a database by a nonprofit educational, scientific or research institution for nonprofit educational, scientific, or research purposes if the making available "is reasonable under the

circumstances, taking into consideration the customary practices associated with such uses of such database by non-profit educational, scientific, or research institutions.” The distribution of facts by a non-profit advocacy organization or a political candidate would not fall within the scope of this exception. Accordingly, H.R. 3261 poses significant First Amendment problems.