

## **THE DATABASE DEBATE IN THE 108<sup>TH</sup> CONGRESS: DEJA VU ALL OVER AGAIN**

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One of the longest running debates in the U.S. Congress concerning intellectual property centers on the issue of database protection. In one form or another, the issue has been considered by Congress since 1996. The Congress that just ended – the 108<sup>th</sup> Congress -- saw a reprise of the database debate in the 106<sup>th</sup> Congress.<sup>1</sup> As in the 106<sup>th</sup> Congress, two different Committees of the House of Representatives adopted different bills addressing database protection, and as in the 106<sup>th</sup> Congress, these two bills created a stalemate that so far has prevented further House action on the issue. This pattern suggests that it is highly unlikely that Congress will enact a new database protection regime anytime in the foreseeable future.

### **DELIBERATIONS IN THE 107<sup>TH</sup> CONGRESS**

In 1999, during the 106<sup>th</sup> Congress, the House Committee on the Judiciary adopted H.R. 354, the Collections of Information Antipiracy Act. The House Committee on Commerce, in contrast, passed a narrower bill, H.R. 1858, the Consumer and Investor Access to Information Act. Rather than choosing between these two bills, the House Committee on Rules and the House Republican leadership urged the two committees to reach a consensus. Intermittent negotiations between the committee staffs failed to produce a compromise before the end of the 106<sup>th</sup> Congress.<sup>2</sup>

Because of term limits, new chairmen took the reins of these two committees at the beginning of the 107<sup>th</sup> Congress. Jim Sensenbrenner replaced Henry Hyde as the chairman of the Judiciary Committee, and Billy Tauzin took Tom Bliley's seat as chairman of the renamed Committee on Energy and Commerce. Sensenbrenner and Tauzin hoped to avoid the jurisdictional battle that had previously characterized relations between the two committees, and selected database protection as an issue where the committees would work cooperatively.<sup>3</sup> The staffs agreed on a process for reaching compromise. Starting in March, 2001, the committee staffs held a series of roundtable discussions among stakeholders on topics such as the scope of protection, preemption, transformative uses, and sole source databases. The eight discussion sessions were followed by negotiations among the stakeholders supervised by staff members from both committees.

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<sup>1</sup> The 106<sup>th</sup> Congress was in session from the beginning of 1999 to the end of 2000; the 107<sup>th</sup> Congress was in session from the beginning of 2001 until the end of 2002; and the 108<sup>th</sup> Congress started at the beginning of 2003 and will adjourn at the end of 2004.

<sup>2</sup> See Jonathan Band and Makato Kono, *The Database Protection Debate in the 106<sup>th</sup> Congress*, 62 Ohio St. L. J. 869, for a detailed discussion of events in the 106<sup>th</sup> Congress.

<sup>3</sup> Sasha Samberg-Champion, *Tauzin and Sensenbrenner to Consider Database Law Together*, Washington Internet Daily, March 30, 2001, at 1.

Early in 2002, the staffs of the two committees decided it would be more productive if they, rather than the stakeholders, continued the negotiations. These negotiations occurred behind closed doors, without input from the stakeholders.

In October, 2002, Chairmen Sensenbrenner and Tauzin wrote a joint letter to Speaker Hastert and House Majority Leader Armeo to update them on the status of the database negotiations. The letter stated that “[e]ach of us believes that the other has made a good-faith effort at contributing to the development of a compromise bill,” and “that progress has been made in furtherance of this end....” Nonetheless, “there are important issues which remain unresolved,” and “[g]iven the scant time left in the term, it has become apparent that a viable deal cannot be reached prior to adjournment.” Accordingly, they stated that they wanted the negotiations to continue into the 108<sup>th</sup> Congress, with a tentative deadline of April 15, 2003, for developing a bill. In closing the letter, they observed that

Database reform has been debated for approximately eight years. This surprises neither of us, as the substance of the issue and the related political dynamics are complicated. Because so much effort has been devoted thus far to narrowing differences between the affected competing interests, we should not abandon the project altogether.

## **THE DISCUSSION DRAFT**

Roughly a month after the April 15, 2003 deadline, the staffs of the Judiciary and Energy and Commerce Committees released a discussion draft of a database protection bill. The discussion draft was represented as creating a federal cause of action for the misappropriation of databases. The basic prohibition imposed liability on any person who made available in commerce to others a quantitatively substantial part of a database gathered, generated, or maintained by another person, knowing that the making available was without the other person’s authorization, provided that three conditions were met. Those conditions were: 1) the database was generated, gathered or maintained through substantial expenditure of financial resources or time; 2) the unauthorized making available occurred in a time sensitive manner and inflicted injury on the database or a product or service offering access to multiple databases; and 3) 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 threatened. “Inflicts injury” was defined as serving as a functional equivalent in the same market as the database in a manner that caused the displacement, or disruption of the sources, of sales, licenses, advertising, or other revenue. To determine whether an unauthorized making available occurred in a time sensitive manner, the court was directed to consider the temporal value of the information in the database, within the context of the industry sector involved.

The discussion draft provided civil remedies, including injunctions, impoundments, and monetary damages. The court had the discretion to quadruple the actual damages. The discussion draft also contained provisions purported to ameliorate concerns raised by the nonprofit community and Internet service providers. Databases generated, gathered, organized, or maintained by a government entity, or its agents, could

not receive protection under the bill, nor could databases generated, gathered, organized, or maintained pursuant to a federal statute or regulation. The draft would have preempted state laws that prohibited or otherwise regulated the conduct that was the subject of the draft. However, the draft would not override contracts relating to databases.

## THE JOINT HEARING

The Judiciary Committee's Subcommittee on Courts, the Internet, and Intellectual Property and the Energy and Commerce Committee's Subcommittee on Commerce, Trade, and Consumer Protection held a joint hearing on the discussion draft on September 23, 2003. Four witnesses testified at the hearing. Keith Kupferschmidt of the Software and Information Industry Association testified on behalf of the Coalition Against Database Piracy. Mr. Kupferschmidt stated that

Despite the acknowledged value provided by America's databases, there is presently a lack of meaningful national legal protection for these databases. While database producers rely on several potential legal theories, none adequately nor effectively deter or prevent database piracy.<sup>4</sup>

Mr. Kupferschmidt noted that in the absence of adequate protection, "[m]isappropriation of databases threatens the availability of organized, timely, comprehensive information."<sup>5</sup>

Turning to the discussion draft, Mr. Kupferschmidt stated that it took "a very targeted and narrow approach to addressing the problem of database piracy."<sup>6</sup> Unlike previous bills that provided publishers with exclusive rights, this draft was "based on a misappropriation approach that only covers acts of making a database available that cause commercial harm to the database producer."<sup>7</sup> He opined that "some of the substantive provisions of the draft will provide protection against database piracy while also accounting for the legitimate concerns of database users through narrowly-crafted exceptions and limitations on liability."<sup>8</sup> Mr. Kupferschmidt, however, raised concerns that some of the draft's language was ambiguous, and that the draft "does not recognize database thefts that cause noncompetitive harms...."<sup>9</sup>

David Carson, the general counsel of the Copyright Office, testified on the history of copyright protection for databases. He explained that courts developed two distinct theories of protection for compilations. Under the "sweat of the brow" theory, the compiler received protection for his work by virtue of his investment of effort or resources in compiling the information. In contrast, under the "originality" theory, the

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<sup>4</sup> Database and Collections of Information Misappropriations: Joint Hearing Before the House Subcomm. On Courts, the Internet, and Intellectual Property of the Comm. on the Judiciary and the House Subcomm. on Commerce, Trade, and Consumer Protection of the Comm. on Energy and Commerce, 108<sup>th</sup> Cong. (September 23, 2003), statement of Keith Kupferschmidt, Vice President, Software & Information Industry Association, at 4-5; (Hearing testimony available at <http://www.house.gov/judiciary/courts.htm>).

<sup>5</sup> *Id.* at 4.

<sup>6</sup> *Id.* at 7.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 8.

<sup>9</sup> *Id.*

compiler received protection for his judgment in the original selection and arrangement of the information. In 1991, the U.S. Supreme Court resolved this split in *Feist Publications v. Rural Telephones* by rejecting the sweat of the brow doctrine:

[T]he Supreme Court held that the white pages of a telephone directory ... was insufficiently creative to merit copyright protection. The Court held that the requirement of creativity was not merely statutory, but rooted in the Copyright Clause itself .... What remains is a thin layer of copyright protection for qualifying databases .... The protection is thin in that only the creative elements (selection, arrangement, or coordination of data) are protected by copyright .... [I]n no case is the data itself ... copyrightable.<sup>10</sup>

Mr. Carson suggested that the *Feist* decision's elimination of the sweat of the brow doctrine gave rise to calls for database legislation. Mr. Carson stated that the Register of Copyrights had previously testified that

there was a gap in existing legal protection, which could not be satisfactorily filled through the use of technology alone. This legal gap was compounded by the ease and speed with which a database can be copied and disseminated, using today's digital and scanning capabilities. Without legislation to fill the gap, publishers were likely to react to the lack of security by investing less in the production of databases, or disseminating them less broadly. The result would be an overall loss to the public of the benefits of access to the information that otherwise would have been made available.<sup>11</sup>

Mr. Carson noted, however, that "the Register cautioned that the risks of over-protection were equally serious, because ... the free flow of information is essential to the advancement of knowledge, technology, and culture."<sup>12</sup> For this reason, "the Register recommended the restoration of the general level of protection provided in the past under copyright 'sweat of the brow' theories, but under suitable constitutional power, with flexibility built in for uses in the public interest in a manner similar to the function played by fair use in copyright law."<sup>13</sup>

Mr. Carson then addressed the discussion draft. He expressed his "understanding that the scope and applicability of the prohibitions in the discussion draft are designed to codify the standards set forth in the Second Circuit's decision in *National Basketball Ass'n v. Motorola, Inc.* ('NBA')."<sup>14</sup> He quoted the *NBA* court's articulation of the five elements of a "hot news" misappropriation claim:

- (i) the plaintiff generates or collects the information at some cost or expense;
- (ii) the value of the information is highly time-sensitive;

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<sup>10</sup> Statement of David O. Carson, General Counsel, United States Copyright Office, at 6.

<sup>11</sup> *Id.* at 1-2.

<sup>12</sup> *Id.* at 2.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 6-7. Mr. Carson noted that the Second Circuit "concluded that a 'hot news' misappropriation claim under the theory of *International News Service v. Associated Press* [248 U.S. 215 (1918),] would survive preemption by federal copyright law." *Id.* at 7.

- (iii) the defendant's use of the information constitutes free-riding on the plaintiff's costly efforts to generate or collect it;
- (iv) the defendant's use of the information is in direct competition with a product or service offered by the plaintiff; and
- (v) the ability of others to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.<sup>15</sup>

Mr. Carson proceeded to compare the prohibition section of the discussion draft with the five part *NBA* test, finding two significant differences. First, the first *NBA* factor looks to the plaintiff's investment in the generation or collection of information, while the parallel provision of the discussion draft asks whether the database was "generated, gathered, or *maintained*" through substantial investment.<sup>16</sup>

Second, the second *NBA* factor is that the value of the information is highly time sensitive. Mr. Carson observed that the discussion draft omits the term "highly," and went on to state that

[t]he discussion draft appears to take a flexible approach to this condition, requiring consideration of the business context, but also allowing a court to consider whatever other factors it might deem relevant. This approach may well be the subject of initial uncertainty, until courts have provided guidance in applying the standard. In this respect, the discussion draft may go beyond the 'hot news' doctrine addressed in *NBA* and *INS*.<sup>17</sup>

William Wulf, the President of the National Academy of Engineering, testified on behalf of his organization, the National Academy of Sciences, the Institute of Medicine, the Association of Research Libraries, and the American Library Association. At the outset, Dr. Wulf observed that "[t]here is little evidence ... that databases or other collections of information are routinely stolen or that there is a massive market failure in the information industry."<sup>18</sup> He noted that "database producers already enjoy a broad range of legal, technological, and self-help methods – many of which have been further strengthened in recent years – that protect the fruit of their investment."<sup>19</sup>

Dr. Wulf also explained the importance to science of keeping facts in the public domain:

[a] hallmark trait of modern research is to obtain and use dozens or even hundreds of databases, extracting and merging portions of each to create new databases and new sources for knowledge and information .... The rapid and continuous

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<sup>15</sup> *Id.* at 7, *quoting* 105 F.3d at 852.

<sup>16</sup> *Id.* at 8.

<sup>17</sup> *Id.*

<sup>18</sup> Statement of William A. Wulf, President, National Academy of Engineering, at 5.

<sup>19</sup> *Id.*

synthesis of disparate data by all segments of our society is one of the defining characteristics of the information age.<sup>20</sup>

Dr. Wulf described the benefits of the historic U.S. policy of keeping facts available to the public:

For many decades, the United States has been the leader in the collection and dissemination of scientific and technical data and in the discovery and creation of new knowledge. Our nation has used that knowledge more effectively than any other nation to support new industries and applications....<sup>21</sup>

Dr. Wulf emphasized the dangers to scientific research of strengthening the market power of sole source providers:

[A] preponderance of scientific databases are produced by sole sources, whether in the public domain or the private sector. For example, the vast majority of observational data sets of phenomena in the natural world, as well as all unique historical factual compilations, can never be recreated independently and are therefore frequently available only from a single, original source. In other cases, scientific databases are de facto unique natural monopolies because the cost of producing the data and the potential market are such that the economics will not support multiple sources .... For this reason, scientific databases are particularly prone to monopoly control.<sup>22</sup>

Dr. Wulf acknowledged that the discussion draft addressed some of the concerns the Academies had raised with respect to earlier versions of database legislation. Nonetheless, he still had serious concerns. He averred that “the discussion draft could confer perpetual ownership rights in a wide variety of data by virtue of protecting investment based on open-ended maintenance of a database.”<sup>23</sup> Further, “a minimal amount of harm – even one lost sale or a single lost source of data – could lead to a finding of liability and to a chilling of the use of public-domain factual information...”<sup>24</sup> The exception for educational, scientific, and research institutions was available only for nonprofit purposes, thereby “discourag[ing] joint research and development activities between nonprofit institutions and corporations.”<sup>25</sup> Also, the exception could be “overridden by a shrink-wrap or click-on license and render the exception meaningless...”<sup>26</sup> Finally, Dr. Wulf stated that “[b]y failing to address the problem of sole-sourced databases, the discussion draft increases monopolists’ control over competitive uses of information.”<sup>27</sup>

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<sup>20</sup> *Id.* at 3-4.

<sup>21</sup> *Id.* at 4.

<sup>22</sup> *Id.* at 6.

<sup>23</sup> *Id.* at 8.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at 9.

Also testifying was Thomas Donohue, the President and CEO of the U.S. Chamber of Commerce, the world's largest business federation. Mr. Donohue began his testimony by questioning the existence of a gap in current law: "There has been no threshold showing that there is a problem that needs to be addressed by legislation."<sup>28</sup> He added, "throughout the seven-year consideration of this issue, proponents of changing how our nation regulates information have yet to provide a real-world example of a database that can't be protected under current law."<sup>29</sup> He noted that "[t]here are an astronomical number of opportunities daily for some kind of infringement. Yet the inability to cite gaps in the law is profoundly telling."<sup>30</sup> The absence of gaps "underscores our concern that some proponents of broad database legislation seek to leverage dominance in existing markets into dominance in other markets – without having to gain these advantages via competition in the marketplace."<sup>31</sup>

Mr. Donohue then explained that "[t]his legislation, if enacted, would combine vague terms and excessive penalties to create a frivolous litigation nightmare for businesses in all industries."<sup>32</sup> In particular, Mr. Donohue cited the discussion draft's new definition for time sensitivity.

[T]his draft legislation works retroactively, ensnaring facts in databases that are conceivably decades old. The draft protects facts in encyclopedias, even though the lead-time in publishing means that the data is generally months old before it reaches the bookstores. In short, it is impossible to state definitively what this core prohibition means .... The courts would be forced to determine whether the proposed prohibition can be tightened to look like constitutionally sanctioned "hot news" misappropriation and not like the copyright of facts prohibited by *Feist*. While the courts sort this out, the combination of vague terms, a private right of action, quadruple damages and incredibly expansive subpoena power would create a litigation bonanza that will chill investment and threaten business, depriving consumers of new information products.<sup>33</sup>

During the questioning of the witnesses, members of the Subcommittee on Commerce, Trade, and Consumer Protection expressed significant skepticism concerning the discussion draft, while members of the Subcommittee on Courts, the Internet, and Intellectual Property were more favorable. Mr. Kupferschmidt referred to two cases, *Schoolhouse v. Anderson*, 275 F.3d 726 (8<sup>th</sup> Cir. 2001), and *Ticketmaster v. Tickets.com*, CV99-7654, 2003 U.S. Dist. LEXIS 6483 (C.D. Cal. March 6, 2003), as examples of the inadequacy of existing law.

On October 15, 2003, Mr. Donohue of the U.S. Chamber of Commerce sent a letter to the chairmen of the two subcommittees addressing various issues that had arisen during the hearing, including the cases cited by Mr. Kupferschmidt. With respect to

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<sup>28</sup> Statement of Thomas J. Donohue, President and CEO, United States Chamber of Commerce, at 1.

<sup>29</sup> *Id.* at 4.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 5.

*Schoolhouse v. Anderson*, Mr. Kupferschmidt had claimed at the hearing that Anderson admitted to copying 74% of Schoolhouse’s database. Mr. Donohue pointed out that “the district court found that there was no evidence of copying, and noted that Anderson gathered the information in his database independently.”<sup>34</sup>

At the hearing, Mr. Kupferschmidt also said that *Ticketmaster* was a “typical” case in that the plaintiff’s copyright, trespass to chattels, and contracts claims all failed. Mr. Donohue in his letter argued that with respect to trespass to chattels, *Ticketmaster* was in fact an “outlier” case. Of the five courts to consider state common law trespass to chattels in database cases, four found liability; *Ticketmaster* was the fifth case. The *Ticketmaster* court noted its disagreement with the other trial court decisions, and stated that “pending appellate guidance,” it would stick to its interpretation of the common law. Significantly, since the *Ticketmaster* decision, the California Supreme Court expressed approval of the reasoning in one of the four other cases, *eBay v Bidder’s Edge*. Mr. Donohue observed that “[g]iven the California Supreme Court’s decision, the *Ticketmaster* court likely would reach a different conclusion if it were ruling now.”<sup>35</sup>

With respect to the contract claim, Mr. Donohue informed the subcommittee chairmen that the *Ticketmaster* court had recently denied Tickets.com’s motion for summary judgment, and ordered that Ticketmaster’s contract claim proceed to trial. Thus, contrary to Mr. Kupferschmidt’s assertion, Ticketmaster’s contract claim was still viable.

Mr. Donohue then expanded on specific problems with the discussion draft. Focusing on the issue of “time sensitivity,” he stated that “the draft moves from the standard created by the Supreme Court in *INS* and preserved by the Supreme Court in *Feist* – in which facts in wire stories were ‘hot’ for hours and sports scores are ‘hot’ for minutes – to a standard of retroactivity that ensnares facts in databases that are conceivably decades old.”<sup>36</sup> He concluded his letter by writing that “[i]n the Information Age, fundamental changes in basic information policy will affect virtually every American, as well as virtually every business .... The discussion draft creates an environment more fertile for unnecessary litigation than for database production.”<sup>37</sup>

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<sup>34</sup> Letter from Thomas J. Donohue to the Hon. Lamar Smith and the Hon. Cliff Stearns at 3 (Oct. 15, 2003).

<sup>35</sup> *Id.* at 5.

<sup>36</sup> *Id.* at 11-12.

<sup>37</sup> *Id.* at 12

## **H.R. 3261**

On October 8, 2003, Congressman Howard Coble introduced the discussion draft as H.R. 3261, the Database and Collections of Information Misappropriation Act.<sup>38</sup> Congressman Coble had sponsored database legislation in both the 105<sup>th</sup> and 106<sup>th</sup> Congresses, when he was chairman of the House IP Subcommittee, and he remains the leading advocate of expansive database protection in Congress. On October 16, a week after the bill's introduction, it was considered by the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property. Subcommittee Chairman Lamar Smith placed before the subcommittee an amendment in the nature of a substitute to H.R. 3261. The only substantive difference between this version and H.R. 3261 as introduced was a new section that limited the liability of nonprofit post secondary educational institutions and research laboratories for activities taken for nonprofit education, scientific, or research purposes. However, this exception did not apply to the extent the institution or laboratory made available substantially all of a database in direct commercial competition with the original publisher.<sup>39</sup>

Congressman Boucher offered several amendments. Most significantly, one of his amendments would have prevented the bill's application to databases distributed prior to the bill's effective date. The amendment was intended to prevent the legislation from conferring perpetual protection for existing databases. Congressman Boucher also introduced amendments that withheld protection from legal materials and that more effectively limited the liability of Internet service providers for third party distributions. All of the Boucher amendments were defeated, and the Subcommittee proceeded to report out H.R. 3261 by a 10-3 vote.

H.R. 3261 came before the full Judiciary Committee on January 21, 2004. Congressman Coble proposed a narrow amendment that extended the exception for post secondary educational institutions to the students of such institutions acting in furtherance of the institutions' supervised activities or programs. After the Committee adopted this amendment, Congressman Boucher and Congressman Coble introduced competing amendments addressing the liability of Internet service providers for the activities of third parties. Based on the safe harbor for providers of interactive computer services contained in Section 230 of the Communications Decency Act, the Boucher amendment provided ISPs with more comprehensive immunity than the Coble amendment. After the

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<sup>38</sup> Cosponsors included Chairman Smith, Mr. Hobson, Mr. Greenwood, and Chairmen Sensenbrenner and Tauzin. In cosponsoring H.R. 3261, Chairman Tauzin stated that "[t]his bill is one of compromise," and stressed that "[a]s we move forward with the legislative process, I will continue to invest time and effort to improve the legislation and ensure my lingering concerns are addressed. In doing so, my focus will remain on protecting the free flow of information so important to our information economy." 149 Cong. Rec. E2023 (daily ed. Oct. 8, 2003)(statement of Rep. Tauzin).

<sup>39</sup> On the basis of this exception, the Association of American Universities and other associations representing higher education withdrew their opposition to H.R. 3261. However, these associations noted that they could not support the bill because of continuing concerns with its provisions. "We believe, both as a matter of university needs and broader societal interest, that any database protection legislation should address the public need for access to information." They then provided a two and a half page list of proposed amendments. Letter from Nils Hasselmo to the Hon. James Sensenbrenner and the Hon. Billy Tauzin at 2 (Jan. 6, 2004).

Committee debated the two amendments, it passed the Boucher amendment by a 17-7 vote.

Congressman Boucher then proceeded to reintroduce his amendment that would prevent the bill from applying to existing databases. In support of his amendment, he said

It seems to me that it is impossible for the time sensitivity requirement to have any real meaning if in fact this bill would apply to databases that are in existence at the date that the law becomes effective. And so the amendment simply repeals the retroactivity provision and would make the bill prospective only in its application.<sup>40</sup>

Congresswoman Lofgren supported the amendment, noting that the time sensitivity issue needed to be addressed in order to meet the Supreme Court's constitutional objections to the sweat of the brow doctrine in *Feist*.<sup>41</sup> This amendment was defeated by an 18-8 margin.

The Judiciary Committee next voted on the bill as whole. By a 16-7 vote, H.R. 3261 was reported favorably to the House of Representatives.<sup>42</sup>

The Judiciary Committee Report on H.R. 3261, issued on February 11, 2004, contained two dissenting views, the first signed by Representatives Boucher, Scott, Watt, and Meehan (the Boucher Dissent), the second signed by Representatives Lofgren, Watt, and Meehan (the Lofgren Dissent). The Boucher Dissent identified the "fundamental legal defects"<sup>43</sup> of H.R. 3261: "It relies on the Commerce Clause to achieve precisely what the Supreme Court found the Intellectual Property Clause prohibited: a copyright in facts."<sup>44</sup> Further, the Dissent noted that H.R. 3261 "adopts a lesser standard" than the hot news misappropriation test of *NBA v. Motorola*. This lesser standard "essentially gives database owners the ability to lock up facts forever."<sup>45</sup>

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<sup>40</sup> H.R. Rep. No. 108-421, pt. 1, at 63 (2004).

<sup>41</sup> *Id.* at 63, 65.

<sup>42</sup> Prior to the vote, Chairman Sensenbrenner indicated that Reed-Elsevier, Thomson, the Software and Information Industry Association, the American Association of Publishers, eBay, McGraw Hill, Monster.com, the Newspaper Association of America, the American Medical Association, and the National Association of Realtors supported H.R. 3261. *Id.* at 54. A broader array of companies and associations signaled opposition to the bill, including Internet interests such as Amazon.com., Google, Yahoo!, and NetCoalition; financial services firms such as Bloomberg, Charles Schwab, and CheckFree; communications firms such as Verizon, Comcast, and SBC; the major library associations such as the American Library Association, the Association of Research Libraries, the American Association of Law Libraries, the Medical Library Association and the Special Library Association; information technology association such as the Information Technology Association of America and the Computer & Communications Industry Association; consumer and civil liberties groups such as the American Civil Liberties Union and the Consumer Project on Technology; and scientific and learned societies such as the National Academy of Sciences and the American Historical Association.

<sup>43</sup> *Id.* at 77 (Boucher Dissent).

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

The Boucher Dissent observed that “[b]eyond these legal infirmities, the bill suffers from a weak economic rationale....”<sup>46</sup> In particular,

the proponents of H.R. 3261 have failed to demonstrate that publishers need any additional incentive; the database industry in the United States is thriving, with publishers investing billions of dollars each year in the creation of new databases. Profit margins in the industry are higher than in most other industries, and the existing database companies continue to purchase other database companies, reflecting their confidence in the future of their industry.<sup>47</sup>

Next, the Boucher Dissent discussed the availability of numerous legal theories for protecting databases, including copyright, contract, the federal Computer Fraud and Abuse Act, trespass to chattels, technological measures protected by the Digital Millennium Copyright Act, and the state common law hot news misappropriation doctrine. The Dissent stated, “[s]tripped to its essence, H.R. 3261 is not about preventing ‘piracy.’ It is about increasing publishers’ revenue streams by allowing them to control information in an unprecedented way.”<sup>48</sup>

The Boucher Dissent also asserted that H.R. 3261 would precipitate litigation:

The 1996 EU Database Directive, which inspired the proponents to seek legislation in the U.S., has led to ruinous litigation across Europe, particularly with respect to specialized Internet search engines that provide consumers with access to news and product information. The litigation has centered on the Directive’s ambiguous terms, some of which appear in H.R. 3261.<sup>49</sup>

The Lofgren Dissent focused on the bill’s constitutional infirmities. The Lofgren Dissent explained that in *Feist v. Rural Telephone*, the Supreme Court ruled that the IP Clause protects only the expressive elements in compilations and that effort without creativity could not convert facts into expression. The Court thus rejected the “sweat of the brow” doctrine as unconstitutional. H.R. 3261, however, “is intended to resurrect the ‘sweat of the brow’ theory rejected by the Supreme Court in *Feist*.”<sup>50</sup> The Dissent argued that even though the bill is styled as a “misappropriation” statute that creates a new tort, it in fact creates a new property right in databases. Characteristics such as civil remedies for unauthorized uses and exceptions for news reporting and nonprofit research “belie the ‘misappropriation’ label, and look suspiciously analogous to those of copyright (infringement, fair use, etc.).”<sup>51</sup>

The Lofgren Dissent then explained why the Commerce Clause does not empower Congress to enact this legislation. The Dissent discussed the Supreme Court’s decision in *Railway Labor Executives’ Association v. Gibbons*, 455 U.S. 457 (1982), where the Court

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<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> *Id.* at 78.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.* at 81 (Lofgren Dissent).

<sup>51</sup> *Id.*

held that Congress could not avoid the uniformity requirement of the Bankruptcy Clause by purporting to legislate under the Commerce Clause. Similarly, “H.R. 3261 cannot avoid the originality requirement of the Intellectual Property Clause by relying on the general powers of the Commerce Clause.”<sup>52</sup> The Dissent cited a Justice Department opinion with respect to an earlier database bill that reached the same conclusion. The Lofgren Dissent dismissed the argument that Congress regulated trademarks under the Commerce Clause. Unlike trademarks, which are neither writings nor discoveries, “databases are writings that clearly fall within the scope of the Intellectual Property Clause.”<sup>53</sup> For this reason, trademarks are not subject to the limitations of the IP Clause, while databases are.

The Lofgren Dissent also expressed concern “that this legislation might run afoul of the First Amendment.”<sup>54</sup> The Dissent explained that “[f]actual information and ideas are the building blocks of all forms of expression, and the Supreme Court has recognized that the First Amendment leaves little room for restrictions on the dissemination of ideas and factual information.”<sup>55</sup> The Court in *Harper & Row v. Nation*, 471 U.S. 539 (1985) stated that copyright’s idea/expression dichotomy “strike[s] a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author’s expression.”<sup>56</sup> H.R. 3261 would upset this balance.

## **H.R. 3872**

H.R. 3261 was referred to the Energy and Commerce Committee for two aspects of the bill that fell within the Committee’s jurisdiction: the limitation on the liability of Internet service providers and the provision directing the Federal Trade Commission to exercise oversight of the civil remedies. Rather than amend H.R. 3261, the Subcommittee on Commerce, Trade, and Consumer Protection on February 25, 2004, considered a new bill: H.R. 3872, the Consumer Access to Information Act.<sup>57</sup> H.R. 3872 provides that “[t]he misappropriation of a database is an unfair method of competition and an unfair or deceptive act or practice in commerce under section 5(a)(1) of the Federal Trade Commission Act (15 U.S.C. 45(a)(1)).” The term “misappropriation of a database” is then defined as the five part “hot news misappropriation” test from *NBA v. Motorola*. The Federal Trade Commission is empowered to enforce the prohibition on database misappropriation.

There are two central differences between H.R. 3261 and H.R. 3872. First, H.R. 3872 applies only to the unauthorized redistribution of hot news (“the value of the information is highly time sensitive”), while H.R. 3261 applies to an unauthorized redistribution conducted in “a time sensitive manner.” Whether the redistribution is

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<sup>52</sup> *Id.* at 82.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* at 83.

<sup>57</sup> H.R. 3872’s original cosponsors included Chairman Stearns, Ms. Schakowsky, Mr. Boucher, Mr. Upton, Mr. Dingell, Mr. Shadegg, Mr. Markey, Mr. Pikerling, Mr. Deutsch, Mr. Terry, Mr. Towns, Mr. Issa, Mr. Gordon, Mr. Rush, Ms. Eshoo, Mr. Green (TX), Ms. McCarthy (MO), Ms. Solis, and Mr. Gonzalez.

conducted in a time sensitive manner turns on the ambiguous “temporal value of the information in the database, within the context of the industry sector involved.” Given that H.R. 3261 applies to databases in existence at the time of enactment, and the definition of the term “database” includes works such as periodical issues, anthologies, and encyclopedias, the drafters of H.R. 3261 clearly intend to provide protection for a much longer period than the hot news window recognized by the hot news misappropriation cases. Moreover, because H.R. 3261 protects the investment in the maintenance of a database, a database that is routinely updated could receive perpetual protection.

Second, H.R. 3261 provides a private right of action, while H.R. 3872 allows only FTC enforcement. H.R. 3261’s broad scope, combined with its private right of action, necessitates many exceptions to prevent database publishers from over-reaching. The exceptions present in H.R. 3261 are effective to varying degrees, largely reflecting the political power of the sectors requesting them. But even with its list of exceptions, H.R. 3261 still has a far more extensive reach than H.R. 3872.

At the February 25, 2004 markup, the Subcommittee on Commerce, Trade, and Consumer Protection approved H.R. 3872 by a voice vote. The full Energy and Commerce Committee held a markup session on March 3, 2004, at which it ordered H.R. 3872 favorably reported to the House by a voice vote. At the same March 3 session, the Committee took the unusual step of ordering H.R. 3261 unfavorably reported.

On March 11, 2004, the Energy and Commerce Committee published an Adverse Report on H.R. 3261, which it followed on March 16 with a Report on H.R. 3872. Both Reports included the same discussion on Background and Need for Legislation. The Reports stated:

Facts, by their very nature, are discovered, not created, and therefore, are part of the public domain. This policy has served commerce well. The culture of business and science involves using existing data in different ways, or combining existing data with newly generated data. Information is the foundation to advances in medical and other scientific research. It is also a fundamental element in innovation in products and services. Allowing scientists and businesses to access and use factual information propels society forward rather than relegating important resources to “reproducing” the same information.<sup>58</sup>

The Reports discussed *Feist* and then recounted changes in the database industry since the issuance of the decision in 1991.

Since the *Feist* decision, the database market has grown 147%. The amount of information contained in databases increased at an even greater rate, 363%. In addition, there has been a steady shift in database production, away from government and academic production and toward private sector production. In 1990, government databases made up 17% of the database market, academic

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<sup>58</sup> H.R. Rep. No. 108-421, pt. 2, at 7 (2004)(Adverse Report).

databases made up 12%, and private sector databases made up 68%. By 2002, the private sector had grown to constitute 90% of the total database market.<sup>59</sup>

The Reports next reviewed H.R. 3261. They stated that it raised constitutional questions because “[i]t defies the parameters articulated by the Supreme Court in the *Feist* decision. It attempts to rely on the Commerce Clause to do what the Intellectual Property Clause prohibits.” The Reports also indicated that H.R. 3261 “has a very liberal time sensitivity provision;” indeed, “[s]o much so that it barely resembles time sensitivity provisions developed in misappropriation law.” Specifically, “H.R. 3261 would protect information as long as it retains commercial value.” Moreover, because H.R. 3261 “protects investment not just in the creation of the database, but also in the mere maintenance of a database[,] [r]outine updates would extend this protection forever.” In fact, “[t]he perpetual protection provided by H.R. 3261 even goes beyond the duration limits to protection under copyright law.”

The reports state that because of the limited nature of the referral of H.R. 3261 to the Energy and Commerce Committee, the Committee “was unable to address the many problems raised by the bill....” Instead, the Committee adopted H.R. 3872, which

will offer protection for database producers while preserving important access to factual information. H.R. 3872 should also pass Constitutional scrutiny because it tracks the strict misappropriation standards set forth by both the Supreme Court and the 2<sup>nd</sup> Circuit court of Appeals.<sup>60</sup>

## STALEMATE

Faced with two conflicting bills reported out of two different committees, the House Rules Committee elected to take no action on either bill. Both bills died with the close of the 108<sup>th</sup> Congress.

Back in the 105<sup>th</sup> Congress, database legislation passed the House of Representatives twice: once as a stand alone bill, and once as a title of the Digital Millennium Copyright Act. Since then, however, two important House committees have twice reached an impasse on the issue, even after extensive discussions and hearings. As more businesses and non-profit institutions become aware of the potential impact of broad database legislation on the flow of information in the United States economy, the level of opposition to such legislation increases. Accordingly, this impasse probably will continue, and Congress is unlikely to enact database protection anytime soon.

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<sup>59</sup> Adverse Report at 8; H.R. Rep. No. 108-437, at 2-3 (2004)(H.R. 3872 Report).

<sup>60</sup> Adverse Report at 10; H.R. 3872 Report at 4.