

DATABASE PROTECTION AND CANADIAN LAWS
(State of Law as of June 15, 1998)

by

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DATABASE PROTECTION AND CANADIAN LAWS

EXECUTIVE SUMMARY

Introduction

This Study considers the legal protection of databases (traditional and new media) in Canada and comparatively with protections available or proposed in the United States and the European Union. It represents the initial stage preliminary to the development of a database protection policy for Canada. Subsequent stages will include consideration of the problem areas identified by the Study and the formulation of solutions that will culminate in a database protection policy.

The need for a database protection policy arises from recent legal and policy developments within Canada and internationally. These developments are detailed in the Study and include the possibility of an international treaty or guidelines on database protection developed under the auspices of the World Intellectual Property Organization (WIPO).

The Study comprises three parts:

- (i) Part A presents a determination of the extent of legal protection currently available in Canada.
- (ii) Part B is comparative, examining the legal position, and principal proposals, in the United States and the European Union, as well as the provisions of the “Draft Treaty on Intellectual Property in Respect of Databases” that was before the WIPO Diplomatic Conference in Geneva in December 1996. Although this draft treaty has been withdrawn, the subject of database protection remains an agenda item at WIPO.
- (iii) Part C identifies database protection issues, especially in the new technological and global environment.

Part A: Database Protection in Canada

The range of potential legal protection of databases encompasses: (a) federal and provincial sources; (b) statutory, case law and (in Quebec) civil code sources; and (c) potential criminal law sanctions. The discussion of common law protections necessarily includes comparative materials from other common law jurisdictions in the Commonwealth and the United States.

A. Federal Sources

1. Copyright Law

(a) The principal existing means of protecting databases or other compilations is copyright law. The 1991 decision of the United States Supreme Court in *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*, 449 U.S. 340, engendered discussion as to whether the reasoning and analysis in that decision should be applied in Canada. The conceptual distinction between the *Feist* position and that seen as the traditional Canadian and Commonwealth position is the requirement of *Feist* that the element of “originality” in the selection and arrangement of the data demonstrate a modicum of “creativity” rather than reflect simply industrious collection or “sweat of the brow”.

From a Canadian perspective, until *Tele-Direct (Publication) Inc. v. American Business Information Inc.* (1996), 74 C.P.R. (3d) 72 (F.C.T.D.) *affd* (1997), 76 C.P.R. (3d) 296 (F.C.A.), no detailed analysis had been given to the matter as one of choice between these options. However, the classic English case of *Walter v. Lane* in 1900 presented three of five members (one in dissent) of the House of Lords speaking of qualitative elements in the test for copyrightability. Also, the literal tests applied in Canada are encompassing of both quality and quantity. In the United States, constitutional requirements encourage the inclusion of a qualitative factor. No similar constitutional requirement exists in Canada.

While the difference between the two approaches has been seen as a matter of degree and somewhat minimal from the perspective of legal conceptual analysis, the consequences may be substantial from an economic or commercial perspective in the particular instances that fail to gain protection under the higher standard.

The refusal, in May 1998, of leave to appeal to the Supreme Court of Canada in *Tele-Direct*, leaves the judgment of the Federal Court of Appeal as the applicable authority in Canada concerning copyright protection of compilations. The Court of Appeal interpreted the inclusion of the expression “compilation” and its definition in s. 2, *Copyright Act* with effect from January 1, 1994 by the legislation implementing the North American Free Trade Agreement, as adopting in Canada the test in *Feist* with respect to compilations.

- (b) Other important aspects of *Feist* include:
- (i) The need to establish “copyrightability” in the compilation alleged to be infringed;
 - (ii) The need, when establishing “copyrightability”, to require an “original” contribution of the compiler in the *selection* and *arrangement* of the data or subject matter; and

- (iii) There could be mixed views as to what is protectable, e.g., against unauthorized reproduction, considering that data and facts are by themselves not protectable. On the one hand, the compilation would be protected as a work, where the selection and arrangement have met the required originality test; on the other hand, the sole elements of selection and arrangement present in the compilation would be protected without the data and facts. In the case of a compilation being protected as a work, too strong a similarity with data and facts of a protected compilation, separately or together with a similarity with its selection and arrangement elements, could be used to demonstrate that an unauthorized reproduction of that work would have occurred. In the case of copyright only protecting the selection and arrangement and not the data and facts, a "similarity" test would not be applicable, except for the selection and arrangement elements.

The approach of seeking copyrightability and limiting infringement only to those portions that are copyrightable, is consistent with the current test of "abstraction-filtration-comparison" to determine whether there has been non-literal copying of a computer software program. This approach is that of several U.S. federal circuit Courts of Appeals and is finding judicial acceptance in Canada. The analysis in that context draws comparatively upon the principles and reasoning in *Feist*.

(c) The approach of seeking "copyrightability" is not alien to Canadian jurisprudence concerning compilations. For example, it was substantially the analysis in *British Columbia in Slumber-Magic Adjustable Bed Co. Ltd. v. Sleep-King Adjustable Bed Co. Ltd.* (1984), 3 C.P.R. (3d) 81 (B.C.S.C.) and in Quebec in *Éditions Hurtubise HMM Ltée v. CEGEP André-Laurendeau*, [1989] .R.J.Q. 1003, 24 C.I.P.R. 248 (Que. S.C.).

(d) The focus on copyrightability avoids the possibility of considering merely relative effort between the parties and therefore avoids imposing an "unfair competition" response in the guise of copyright.

(e) The Federal Court of Appeal in *Tele-Direct* found the approach in *Feist* to be reflected in the legislation implementing the North American Free Trade Agreement with effect from January 1, 1994 defining "compilation" in a manner similar to that in the 1976 U.S. *Copyright Act* and Article 1705(1) of NAFTA. Further consistency can be found between the 1994 statutory definition of "compilation" and:

- (i) Article 10(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPs Agreement), which similarly focuses "originality" and copyrightability on elements of selection and arrangement and stipulates that copyright protection "shall not extend to the data or material itself"; and
- (ii) Article 3 of the European Database Directive (discussed in Part B of this

Study).

Understanding that databases are otherwise protected widely, Article 3(1) of the Directive not only limits copyright to the author's "own intellectual creation" but stipulates that "[n]o other criteria shall be applied". This, arguably, expresses an even greater standard.

(f) The Study notes ancillary aspects to be considered, especially the relationship with "fair dealing", the position of the author or owner of the data or subject matter in the compilation and issues of illegality of subject matter in a database.

2. Criminal Law

(a) *Criminal Code*, section 326(1)(b), "theft of telecommunications service" might have renewed potential in the present context as a consequence of the convergence of media of telecommunications with that of the computer industry.

(b) Other provisions of the *Criminal Code* of some relevance include: sections 327(1) (possession of a device to obtain telecommunication facility or service); 342.1 (unauthorized use of a computer); and 430(1.1) (mischief in relation to data).

(c) The general "theft" provision, s. 322(1), is not available in the light of the Supreme Court of Canada decision in *R. v. Stewart*, [1988] 1 S.C.R. 963; (1988), 50 D.L.R. (4th) 1.

(d) Offences provided for in s. 42(1) and (2), *Copyright Act* may be relevant to the extent that copyright is available.

3. Unfair Competition/S. 7, Trade-Mark Act

Although the terms of section 7(e) have been found by the Supreme Court of Canada to literally encompass the misappropriation or unfair competition tort established in the United States in *International News Service v. Associated Press*, 248 U.S. 215 (1918), the constitutionality of section 7(e) is extremely doubtful. It will, therefore, be of no assistance with respect to any "taking" of data from a database or compilation. None of the earlier subparagraphs ((a)-(d)) of section 7 are relevant. The Supreme Court of Canada has, in general, limited the whole of section 7 to "round[ing] out regulatory schemes prescribed by Parliament", although some qualification or explanation of that can be found in subsequent decisions of the Federal Court.

4. Constitutional Jurisdiction

(a) The constitutional limitation on section 7, *Trade-mark Act* would suggest little scope for any federal initiative to protect databases (beyond copyright and criminal law) by means of “unfair competition” or misappropriation in the nature of tort or *delict*. Such proceedings, at least when standing alone, are likely to fall within exclusive provincial jurisdiction.

(b) However, there is likely to be a valid federal constitutional jurisdiction to regulate by means of *sui generis* relief comparable, for example, to the *Plant Breeders’ Rights Act*, S.C. 1990, c. 20 or the *Integrated Circuit Topography Act*, S.C. 1990, c. 37. These enactments - reflect multi-lateral or bi-lateral international accords; provide a system of national registration and administration; and provide systems that afford national treatment or reciprocity between other countries within the framework of the accords. Such elements go beyond any federal attempt to establish a federal tort. The position is rather a matter of “international trade” regulation and likely to be constitutionally valid as the “Regulation of Trade and Commerce” (s. 91(2)) or “implementation of a Canadian international obligation” under “Peace, Order and Good Government of Canada” (s. 91), *Constitution Act 1867* (U.K.).

B. Provincial Sources

(a) Unfair Competition

(i) Any province may create a statutory tort or *delict* in the nature of unfair competition that may provide relief for misappropriation of business values, which could include the unauthorised taking of data from a database. The nature of this type of proceeding is presented in the *INS* case. Conceivably, provincial courts could similarly develop common law, or apply Article 1457 of the *Quebec Civil Code* in such a manner. This has not been done. Such a tort is broad and difficult to define or limit. The adoption of such a remedy has been considered, yet rejected, in many jurisdictions in the Commonwealth. The position is open in Canadian jurisdictions; and

(ii) As protection of data was seen as a copyright jurisdiction under a “sweat of the brow” theory, any provincial involvement might have infringed on federal copyright jurisdiction. Given the decision in *Tele-Direct*, this would be unlikely were the courts to clearly limit copyright protection of “compilations” to the sole elements of selection and arrangement. The stipulation in Article 1705(1) of NAFTA and Article 10(2) of the TRIPs Agreement that copyright protection of a database is not to extend to the data or contents itself is also significant.

(b) Confidential Information

(i) Databases may, in principle, be protected as trade secrets or confidential information, but, from a practical perspective, the contents or data if accessible to the public cannot be said to possess the requisite “quality of confidence”. Perhaps the structure, selection and arrangement of data possess this quality, but this would not advance the level of protection beyond that of copyright.

(ii) The so-called “springboard” principle may provide some basis for a database compiler to recover for the advantage gained by a competitor who takes material from a database. However, the limitation of the breach of confidence proceeding in Canada to situations where information is “imparted” to another (rather than being “acquired” by that other) is significant in this respect.

(c) Trade Practices Legislation

There is no present general ability at provincial level to protect databases through current trade practices legislation. Only Manitoba has a provision that might provide some potential. All such provincial legislation is essentially consumer focused. Provinces could, of course, enact appropriate trade practices legislation.

Part B: The United States, European Union and WIPO

A. The United States

(i) Copyright

The landmark decision in 1991 by the United States Supreme Court in *Feist* has been described. The rejection of a “sweat of the brow” theory has lessened the possibility of copyright law being applied as an “unfair competition” remedy within the rubric of copyright. *Feist* stipulates:

- originality requires a minimal element of “creativity”;
- the focus of originality is upon the selection and arrangement of the data;
- the criterion of creativity excludes “mechanical”, “typical” or “routine” methods of selection, as well as elements that are required by the context or industry concerned; and
- the requirement of establishing copyrightability of a database and requiring that an infringement can involve only copyrightable material [This is similar to the

current approach of United States federal circuits in determining the copyrightability and non-literal infringement of computer software programs.]

The usual “taking” from a database is principally of the data or content itself, not the selection or arrangement of the database. Only the operator of a competing database is likely to take a substantial quantity of the selection and arrangement of the data.

The decision in *Feist* followed largely from the definition of “compilation” in the U.S. Copyright Act of 1976. The “sweat of the brow” theory was seen as inconsistent with this definition. The United States Copyright Office reports that prior to 1989 compilations were accepted for registration on a “sweat of the brow” basis only under a “rule of doubt”. After 1989 only telephone or similar directories were accepted on that basis. Guidelines issued by the United States Copyright Office in 1991 identified five types of works that require “extra scrutiny”:

- “(1) telephone directories;
- (2) street directories, cross directories and other directories;
- (3) periodically updated directories;
- (4) annual cumulations; and
- (5) parts catalogues and inventory lists.”

These are seen as involving selection methods of potentially insufficient copyrightability, as contrasted with: “feature-heavy directories, such as business profiles or annotated membership periodicals.” This position is broadly similar to that reflected in post *Feist* case law. The authorities do, however, reflect considerable scope to include most situations, beyond basic mechanical, routine or obvious methods of selection. The important difference is the express emphasis on establishing “copyrightability” through originality of arrangement and selection. The higher requirement of some modicum of “creativity” assists in ensuring that this is met.

There is considerable debate in the United States concerning the European Database Directive and, in particular, the *sui generis* protection focused on the data or contents of the database. The United States took initial steps toward a *sui generis* right of this nature with a proposal in May 1996 to the World Intellectual Property Organisation (WIPO). This proposal was harmonized with a similar proposal in February 1996 from the European Union. The result was the “Draft Treaty on Intellectual Property in Respect of Databases” before the delegates at the December 1996 WIPO Diplomatic Conference.

Currently, however, debate in the United States is concerned as to whether an appropriate response is the creation of new property rights or the provision of an unfair competition remedy. A choice as between these options was presented in August 1997 in a report from the United States Copyright Office. Various other proposals have been made in Bills presented in the Congress and

by legal commentators. These initiatives are discussed in the Study. They present positions on a spectrum between the two options.

The United States Copyright Office does not recommend conclusively for one or the other option.

The European Union

The European Database Directive provides for two protections or rights:

- (a) Copyright protection; and
- (b) *A sui generis* protection

Copyright protection is focused on the elements of selection and arrangement of the data or contents. These elements must constitute the author's "own intellectual creation". Beyond these requirements the Directive stipulates that "[n]o other criteria shall be applied" to determine eligibility for copyright protection. The reference to "intellectual creation" would appear to stipulate some qualitative or creative factor. The preclusion of "other criteria" would likely exclude any "sweat of the brow" criterion. The position in the E.U. as to copyright and databases would, therefore, be similar to (if not more strict than) that in *Feist* in the United States and in *Tele-Direct* in Canada. Article 3(2) provides, in terms similar to Article 10(2) of the TRIPs Agreement, that:

"3(2): The copyright protection of databases provided for by this Directive shall not extend to their contents and shall be without prejudice to any rights subsisting in those contents themselves."

Article 5 provides for the exclusive rights of the database copyright holder, including the prevention of: temporary or permanent reproduction; "translation, adaptation, arrangement and any other alteration"; and "communication, display or performance to the public." Article 6(2) enables member states to provide "for limitations" on these rights.

The *sui generis* protection will include the data or contents of the database. Article 7 vests this right in the maker of the database. *Either* qualitative *or* quantitative investment of a substantial nature will qualify. Accordingly a "sweat of the brow" or industrious collection is sufficient or may be combined with a creative element. These elements of investment must relate to one of:

- obtaining the data
- verifying the data
- presentation of the contents of the database.

The nature of the right is:

“to prevent extraction and/or re-utilization of the whole or of a substantial part evaluated qualitatively and/or quantitatively, of the contents of that database.”

The Study details the provisions of the Directive, presenting the nature, scope and term of the right and the stipulated exceptions. The primary term of protection is 15 years, but Article 10(3) provides for protection of a database, including pre-existing subject matter, upon substantial renewals of the data in a database. This conceivably could allow protection in perpetuity so long as substantial renewals occur during each term of protection. Apart from this provision, Article 10(2) would allow for a protection period of 15 years to be available from the time of making an existing database “available to the public”. This, conceivably, could allow a protection period of up to 30 years in respect of an existing private database made available to the public near the end of the initial term of 15 years.

The WIPO Draft Treaty

The Study details the terms of the “Draft Treaty on Intellectual Property in Respect of Databases”, which was before delegates at the December 1996 WIPO Diplomatic Conference. There is a relative similarity between these provisions and those of the European Database Directive. This Study, however, highlights a number of “significant differences” as well as a number of “routine differences”.

This particular draft treaty has subsequently been withdrawn, but the topic of international protection for databases is still an agenda item at WIPO.

Part C – Identification of Database Protection Issues

The Study in this Part identifies and lists principal matters requiring attention in the context of database protection in the current and future technological age. The listings include general and specific legal and policy issues.

Conclusion

The national and international context of protection of databases presents a trend of defining a higher requirement of originality to establish copyrightability. The scope of copyright protection for databases meeting the originality test is far from defined and will need to be worked out in the coming years. This may afford insufficient protection for a database compiler. The European

Database Directive has applied a *sui generis* proprietary protection that will encompass for the compiler, protection of the data or contents of the database itself, even if compiled merely on a “sweat of the brow” basis. Responses, particularly in the United States, are currently focused on the options of a similar or modified *sui generis* protection or the provision of relief through the concept of unfair competition.

The principal differences between new property rights option and the unfair competition option are substantial. Unfair competition is focused on *conduct* that is exploitative. It must harm (or be likely to harm) the actual or potential market for the product or service. In effect, a remedy in “unfair competition” regulates the relationship *between competitors* and proscribes conduct which is seen as going beyond healthy or fair competition into “competition” that is destructive of the market itself. The situations that will prove remedial cannot be stipulated in advance with any degree of precision. It will be for the court to evaluate tortious conduct within the broad framework of the action. The case law will determine the finer details. There will be a greater degree of litigation as outcomes will be more dependent on judicial evaluation. On the other hand, it is a remedy that responds to only actual or potential damage. The “property” that is protected is *the business and its value, not the information or data itself*. In this sense, an extraction or use of data or information by merely a user of the information, rather than a competitor/supplier of that data or information, will not trigger any legal response. The compiler will lose a “user fee”, but the particular act of extraction or use does not threaten the compiler’s business enterprise as it would if done by a competitor. There is, however, a limit to this distinction. If all users or non-competitor customers could simply take the data or contents with impunity the business would ultimately fail or, more probably, would continue, but with the paying users bearing a higher fee structure to compensate for the losses incurred. Only the *sui generis* remedy, recognizing property in the data or information itself, can provide relief beyond that provided under an unfair competition theory. However, the impact on the availability of information is so great that precise circumstances, definitions and exceptions would need to be formulated and provided for in any legislation creating the remedy. Substantial issues of public interest will be involved.

OBJECTIVES OF THE STUDY

The objectives of this “Legal Study on Databases” are:

- A. To determine the extent of the protection of databases (traditional or based on new media) in Canada.

- B. To examine appropriate legislation and case law in the United States and the countries of the European Union, and their repercussions on the principal stakeholders.

- C. To identify database protection issues in the new technological environment.

This legal study is within the initial (fact-finding) stage of the work preliminary to development of a database protection policy. The subsequent stages will involve a consideration of identified problem areas and the identification of solutions relating to database protection in Canada.

PART I: DATABASE PROTECTION IN CANADA

A. INTRODUCTION

Both federal and provincial sources are examined to ascertain the extent of existing legal protection for databases in Canada.

Primary protection is afforded by copyright law. Some protection may also be found in the *Criminal Code*. There is exclusive federal jurisdiction in both of these areas.¹ Both areas are examined.

Provincial law may provide some protection (or potential of protection) in areas concerning

- misappropriation or unfair competition;
- trade secret or breach of confidence; and
- trade practices legislation.

Breach of confidence (trade secret) protection is well established and presents an extensive body of jurisprudence. However, the very essence of confidence or trade secret is that a subject matter is kept secret. Conversely, the purpose of a database is to provide accessibility to the data. The accessibility may, however, be limited to authorized persons. Also, the element that is secret may not be the data or subject matter itself, but the selection and arrangement of the subject matter or data. This may or may not be detectable to a user. If it is not, it may retain the element of secrecy. From a subject matter perspective, an application of the so-called “springboard” principle that takes account of the advantage a user has gained from accessing public information compiled by another, may allow for some protection.

A pure “misappropriation” theory of the nature found to a limited extent in American jurisprudence, has little or no application in Canadian or Commonwealth common law. Relief for “unfair competition” in common law is available through established categories of tort law. For example, the tort of “passing off” is the primary source of common law relief for unfair competition. This tort protects business goodwill against an unconsented “taking” by another business operator, but in circumstances only where the usurper, through a *misrepresentation*, causes public or consumer confusion as to some “association” or other relationship between the business or products of the plaintiff and the business or products of defendant. Other categories include “injurious falsehood” or disparagement of business goodwill and certain economic torts. None of these torts presents a general misappropriation remedy. However, some common law development has recognized a misappropriation theory in limited contexts.

¹ *Constitution Act*, 1867 (U.K.), 30 & 31 Vict. c. 3, s. 91(23) (copyrights) and 91(27) (criminal law).

Attention is also given to section 7(e), *Trade-marks Act*² that provides:

“S. 7 No person shall
(e) do any other act or adopt any other business practice contrary to honest industrial or commercial usage”

This provision has been interpreted by the Supreme Court of Canada as expressly encompassing the “misappropriation” tort from the United States, but being a federal legislative enactment on a matter of essentially provincial common law, there are significant constitutional difficulties and limitations concerning the provision. Indeed, some courts have found section 7(e) to be unconstitutional *per se*, regardless of the circumstances of its usage.

The survey concludes with an assessment of provincial trade practices legislation.

B. COPYRIGHT

1. Originality and the Scope of Copyright

Copyright law is currently the primary vehicle of protection in Canada for databases. A database is a “compilation”. Today it is usually electronic and digitized. The concept of a compilation being protected by copyright law has been recognized in case law for many years. However, the expression “compilation” was included and defined in the *Copyright Act* with effect from January 1, 1994³ as:

“‘compilation’ means
(a) a work resulting from the selection or arrangement of literary, dramatic, musical or artistic works or of parts thereof, or
(b) a work resulting from the selection or arrangement of data”

Important elements from the definition include:

(a) The “work” that will gain copyright protection is limited to the *selection and arrangement* of the subject matter - not the subject matter itself;

(b) The subject matter comprised in a compilation can, but need not, qualify as “works” under s. 5, *Copyright Act*. Subject matter may be simply “data” - for example facts, figures, single words, numbers - essentially matters outside of the meaning of “works”, or matters within the public domain. In effect, the selection and arrangement of non-copyright material can constitute a work, but only the selection and arrangement is protected; and

² *Trade-marks Act*, R.S.C. 1985, c. T-13, as am.

³ *North American Free Trade Agreement Implementation Act*, S.C. 1993, c. 44, s. 53(3).

(c) The requirement of “originality”, essential for every “work” protected by copyright (s. 5(1), *Copyright Act*),⁴ is therefore focused on the *selection* and *arrangement* of the subject matter. In other words, only an original method or format of selection and arrangement will be protected by copyright.

The contentious issue is what will comprise or constitute “originality” in the selection and arrangement. There are two possibilities:

(a) Mere time, effort, industriousness or “sweat of the brow” may be seen as sufficient to meet the requirement of “originality”; or

(b) So called “sweat of the brow” is insufficient in itself; there must exist some measure of “creativity” or a “qualitative” factor in order to establish “originality” in a work.

The second option is, today, attributed to the 1991 decision of the United States Supreme Court in *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*⁵ where that court took the opportunity to evaluate the “sweat of the brow” and the qualitative or “creative” approaches, both of which were evidenced in American jurisprudence up to the time of *Feist*. In choosing the “creativity” option, the court declined to find copyright in a white page telephone directory as a merely alphabetical listing was a commonplace or “universal” method of arrangement and reflected no *selection* at all.⁶

Since the decision in *Feist*, there has been speculation as to whether Canadian courts will develop Canadian copyright law in a similar direction. The decisions of both the Trial Division and the Federal Court of Appeal in *Tele-Direct (Publications) Inc. v. American Business Information Inc.*⁷ did precisely this and the Supreme Court of Canada dismissed an application for leave to appeal.⁸ The recent, but earlier decision of the Trial Division in *U&R Tax Services Ltd. v. H&R Block Canada Inc.*⁹ preferred “industriousness” or “sweat of the brow”.

⁴ *Copyright Act*, R.S.C. 1985, c. C. 42, as am.

⁵ *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*, 449 U.S. 340, 113 L.Ed. 2d 358 (1991).

⁶ *Ibid.* at 113 L.Ed. 2d 380.

⁷ *Tele-Direct (Publications) Inc. v. American Business Information Inc.* (1997) 76 C.P.R. (3d) 296, 310 (F.C.A.).

⁸ S.C.C. Bulletin, 1998, p. 828 (May 21, 1998 – L’Heureux-Dubé, Gonthier and Bastarache JJ.).

⁹ *U&R Tax Services Ltd. v. H&R Block Canada Inc.* (1995), 62 C.P.R. (3d) 257, 264 (F.C.T.D.).

In evaluating the current situation with respect to the perceived choice between “sweat of the brow” and “creativity” in Canada, regard must be had to:

(a) Differences between Canadian and American copyright law and the constitutional and theoretical factors underlying the legislation in each jurisdiction;

(b) The historical position in Canada and the United Kingdom concerning “originality” and the relationship of “qualitative” factors in its establishment;

(c) The practical extent or degree of the difference between the two approaches, given that the level of creativity required under *Feist* is relatively minimal;

(d) The interpretation to be given to the inclusion from January 1, 1994 in the Canadian Copyright Act of “compilations” and to the statutory meaning of that term;

(e) The relationship between case law concerning “compilations” and other developments in Canadian and American case law in other areas of copyright application, principally the protection of computer software programs against “non-literal” copying;

(f) The relationship between the holder of copyright in a compilation and the holder of copyright, or any other intellectual property right, in the subject matter contained in the compilation. As indicated above, the meaning of “compilation” includes subject matter that may be a “work” itself protected by copyright, although it need not be a work to constitute subject matter in a compilation. This issue is of particular importance if subject matter is included in the compilation without the consent of the owner of the subject matter. The inclusion of “infringing” material has been found to cause copyright to be denied in the compilation.¹⁰ However, the whole issue of whether copyright can extend to works that infringe another’s copyright, or to works that may otherwise present some illegality, has not been fully resolved in Canada;

(g) The relationship between copyright in a compilation and the defence of “fair dealing” in Canada or “fair use” in the United States with respect to use of the compilation by users; and

(h) the relationship between copyright protection of a compilation and any available protection for a compilation by trade secret or confidentiality or by categories of law relating to unfair competition. This issue has received little attention in Canada and the Commonwealth, but has been of some significance in the United States in the context of how far the federal jurisdiction in copyright pre-empts state law initiatives in trade secret or misappropriation theory.

2. Constitutional and Theoretical Differences: Canada and the United States

¹⁰ See *T.J. Moore Co. Ltd. v. Accessoires de Bureau de Québec Inc.* (1973), 14 C.P.R. (2d) 113, 116 (F.C.T.D.) and *Slumber-Magic Adjustable Bed Co. Ltd. v. Sleep-King Adjustable Bed Co. Ltd.* (1984), 3 C.P.R. (3d) 81, 85 (B.C.S.C.).

When interpreting *Feist*, regard must be had to the different constitutional provision and the theoretical basis that underlie copyright law in the United States, as compared with the position in Canada. In the United States, copyright legislation by the Congress must:

“promote the Progress of Science and useful Arts by securing for limited Times to Authors the exclusive Right to their respecting Writing and Discoveries”¹¹

Expressions concerning promotion, progress and useful arts suggest some “qualitative” element underlying copyright law in the United States. It is most evident in the “fair use” provision,¹² which in contrast to the “fair dealing” provision in Canada,¹³ provides for an open-ended judicial discretion guided by stipulated factors to determine if a particular infringement should be excused because of its promotion of “the ... useful Arts”.¹⁴ In addition, United States copyright law has an established underlying “social contract” theory¹⁵ of an author (or owner) being given an exclusivity for the prescribed period in return for providing society with some useful art.

All of these factors would, in the U.S., facilitate an emphasis on “qualitative” criteria or “creativity” as opposed to merely “sweat of the brow” or industrious collection or effort. None of these factors are overtly present in Canada. The constitutional jurisdiction for copyright, section 91(23), *Constitution Act, 1867*,¹⁶ simply stipulates “Copyrights” as a federal legislative jurisdiction. Furthermore, no underlying theory of copyright has been firmly developed, although some academic dispute has ensued.¹⁷ On two occasions, dicta in the Supreme Court of Canada has described copyright law in Canada as simply a matter of statutory interpretation.¹⁸ The “social contract” theory has, however, been noted as applicable to copyright law in Canada.¹⁹

¹¹ *United States Constitution*, Article 1, Section 8, Clause 8.

¹² *Copyright Act, 1976*, 90 U.S. Stat. 2541, 17 U.S.C., s. 107 (1994).

¹³ *Copyright Act*, ss. 29-29.2.

¹⁴ *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 78 L. Ed. 2d 574, 584 and 613-614.

¹⁵ See *Nimmer on Copyright*, M.B. Nimmer and D. Nimmer (New York, N.Y.: Matthew Bender, 1997) at s. 1.03[A]. The “social contract” theory proceeds on the basis that the public interest is benefited by rewarding creators with a limited exclusivity in their creations in order to encourage creation.

¹⁶ *Constitution Act, 1867* (U.K.), *supra*, note 1, s. 91(23).

¹⁷ See A.A. Keyes and C. Brunet, *Copyright in Canada: Proposals for a Revision of the Law*, Consumer and Corporate Affairs, Canada: Ottawa 1977 at 4-5; Roberts “Canadian Copyright: Natural Property or Mere Monopoly” (1979), 40 C.P.R. (2d) 33; and Keyes & Brunet, “A Rejoinder to ‘Canadian Copyright: Natural Property or Mere Monopoly’” (1979), 40 C.P.R. (2d) 54.

¹⁸ See *Compo Co. Ltd. v. Blue Crest Music, Inc.*, [1980] 1 S.C.R. 357, 373; 45 C.P.R. (2d) 1, 13 and *Bishop v. Stevens*, [1990] 2 S.C.R. 467, 477; 72 D.L.R. (4th) 97. See also A.A. Keyes and C. Brunet, *ibid.* at 5 noting: “The leading theory today is that of the ‘pragmatic school’: copyright should be

These constitutional and juristic differences do not mean that an adoption of the *Feist* approach is inappropriate for Canada, but it is necessary that the *Feist* decision be seen in the constitutional and juristic framework in which it originated. This is especially so, given that the United States Supreme Court expressly noted that the United States Constitution “mandates some minimal degree of creativity.”²⁰

3. The Historical Position in Canada and the United Kingdom

The requirement of “originality” did not appear in legislation concerning literary works until 1911 in the United Kingdom²¹ and 1921/1924 in Canada.²² However, the 1868 and 1875 copyright enactments in Canada stipulated “originality” with respect to certain artistic works of authors:

“of any *original* painting, drawing, statuary, sculpture or photograph”;

or of an author:

“who *invents*, designs, etches, engraves or causes to be engraved, etched or made from his own design, any print or engraving”²³ (emphasis added).

Nevertheless, the classical case on “originality” in British law occurred in 1900. It is *Walter v. Lane* in the House of Lords.²⁴ It is very illustrative of the perceived difference in

determined by statute law based on an analysis of all the interests involved. With emphasis on the public interest.”

¹⁹ See e.g. *Apple Computers Inc. v. Mackintosh Computers Ltd.*, [1987] 1 F.C. 173; (1986), 10 C.P.R. (3d) 1, 26 (F.C.T.D.) where Reed J. commented: “The [Copyright Act] historically, in my view had two purposes: to encourage disclosure of works for the ‘advancement of learning’, and to protect and reward the intellectual effort of the author (for a limited period of time) in the work.” This description was approved by the Federal Court of Appeal in *Tele-Direct (Publications) Inc. v. American Business Information, Inc.*, *supra* note 7 at 308.

²⁰ *Feist*, *supra* note 5 at 379 noting: “the [United States] Constitution mandates some minimum degree of creativity ... and an author who claims infringement must prove ‘the existence of ... intellectual production of thought and conception.’”

²¹ See *Copyright Act*, 1911 (U.K.) 1 & 2 Geo. V., c. 46, s. 1.

²² See *Copyright Act*, 1921, S.C. 11-12 Geo. V. c. 24, s. 4 (effective January 1, 1924).

²³ See s. 3, *The Copyright Act*, 1868, S.C. 31 Vict. c. 54 and s. 4, *The Copyright Act*, 1875, S.C. 1876, 38 Vict., c. 88.

²⁴ *Walter v. Lane*, [1990] A.C. 539 (H.L.).

copyright law today between the “creativity” requirement in *Feist* and the sufficiency of “sweat of the brow” in relation to compilations. It did not, however, involve a compilation. Newspaper reporters recorded verbatim by shorthand notes a public speech of a politician. Four members of the House of Lords upheld copyright in the reporters and, through them, the newspaper. Two of those members - Lord Halsbury L.C. and Lord Davey - considered merely the effort that the reporters had expended. Although it was minimal, it was *more* than that expended by the defendant who simply copied from the newspaper. This was “reaping where he had not sown”. In effect these members were comparing *degrees of effort* and this, it is suggested, is essentially the prevention of unfair competition.²⁵ The other two members - Lord James and Lord Brampton - essentially looked for original form of expression or who were the authors. They noted that the reporters were the first to create the written text (the politician did not have prior writing of his speech).²⁶ The situation of a secretary or amanuensis (e.g. a stenographer) was distinguished partially upon the greater skill needed by the reporters in the open format of a public meeting.²⁷ The dissenting member, Lord Robertson, sought even greater creativity - well beyond, simply accurate reporting.²⁸

In this circumstance, it has been suggested elsewhere that the choice between *quantitative* “sweat of the brow” and *qualitative* “creativity” in establishing an original form of expression can be said to have been posed early in English law.²⁹

The issue came before the Supreme Court of Canada in 1901 in *Cadieux v. Beauchemin*.³⁰ A dictionary had been copied. The judgment is short. The court looked to the similarity between the two products and emphasized the ease at which the defendant copied the plaintiff’s product -

²⁵ The defendant was found to have blatantly taken the material, applying less skill than that of the reporters. He was “reaping where he had not sown”. See *Walter v. Lane*, *ibid.* at 550 (Lord Halsbury) and 552 (Lord Davey). See *infra* text accompanying note 140 *et seq.* as to the similar test for the misappropriation theory of unfair competition in the United States.

²⁶ *Ibid.* at 541 and 543.

²⁷ *Ibid.* at 551-552 (Lord Davey); 554-555 (Lord James) and 556 and 558 (Lord Brampton).

²⁸ *Ibid.* at 560 and 561. Lord Robertson analogized the reporters to stenographers whereas Lord James (at 555) and Lord Brampton (at 556) attributed considerably more skill and creativity to their exercise of transcribing the speech. Lord James made a comparison with a “translation”.

²⁹ See Howell and Gendreau, “Qualitative Standards for Protection of Literary and Artistic Property”, *Contemporary law 1994* (Canadian Comparative Law Association) Les Editions Yvon Blais Inc., Cowansville, Que. (1994), 518, 545.

³⁰ *Cadieux v. Beauchemin* (1901), 31 S.C.R. 370.

the defendant's work being described as a "scissors and paste pot" venture.³¹ This reflects a quantitative or "sweat of the brow" choice similar to an unfair competition analysis.

The principle of "sweat of the brow" was seen as the prevailing view since that time,³² but:

(a) there was no reasoned comparison as to the merits of, or the choice between, the two options,³³

(b) the actual literal tests are sufficiently broad to include both industriousness and creativity. The relevant tests include (emphasis added to qualitative expressions):

- "labour, *skill*, time, *ingenuity*, *selection* or mental effort"³⁴
- "work, *taste* and *discretion*"³⁵
- "industry, *skill* or *judgment*";³⁶

(c) the difference between "industriousness" and "creativity" has more recently been seen as a matter of *degree*,³⁷ especially after the *Feist* decision.³⁸ Furthermore, the Federal Court

³¹ *Ibid.* at 371.

³² The position is put succinctly by Richard J. in *U&R Tax Services Ltd. v. H&R Block Canada Inc.*, *supra* note 8 at 264 as: "Industriousness ("sweat of the brow") as opposed to creativity is enough to give a work sufficient originality to make it copyrightable". See also *British Columbia Jockey Club v. Standen* (1985), 8 C.P.R. (3d) 283 (B.C.C.A.) for a survey of authorities and the analysis noted in the text accompanying notes 58-75.

³³ The choice between the two options did not receive express attention until *Tele-Direct (Publications) Inc. v. American Business Information, Inc.* (1996), 74 C.P.R. (3d) 72 (F.C.T.D.) *affd* (1997), 76 C.P.R. (3d) 296 (F.C.A.), Leave to Appeal to the S.C.C. filed December 23, 1997; dismissed May 21, 1998 (L'Heureux-Dubé, Gonthier and Bastarache JJ.) S.C.C. Bulletin, 1998, p. 828).

³⁴ See *Underwriters Survey Bureau Ltd. v. American Home Fire Ins. Co.*, [1939] 4 D.L.R. 89, Ex. C.R. 296 and *T.J. Moore Co. Ltd. v. Accessoires de Bureau de Québec Inc.*, *supra* note 10.

³⁵ See *Slumber-Magic Adjustable Bed Co. Ltd. v. Sleep-King Adjustable Bed Co. Ltd.*, *supra*, note 10 at 84.

³⁶ *Ibid.* at 84. See also Howell and Gendreau, *supra* note 29 at 547.

of Appeal in *Tele-Direct (Publications) Inc. v. American Business Information Inc.*, referring to some of the above tests, has noted:

“wherever ‘or’ was used instead of ‘and’, it was in a conjunctive rather than a disjunctive way. It is doubtful that considerable labour combined with a negligible degree of skill and judgment will be sufficient in most situations to make a compilation of data original”³⁹.

It is, therefore, concluded that although a principle of “sweat of the brow” or “industriousness” has been seen as the prevailing approach in Canada and elsewhere in the Commonwealth, it was not the subject of any focused analysis as to its merits or otherwise, nor to any judicial evaluation as to whether such a principle is consistent with the proper purpose of copyright law in protecting form or expression that is original to the particular author. Only after *Feist* has this matter been contemplated.

If an historical approach is sought, the classical case of *Walter v. Lane* in 1900 before the House of Lords, it suggested, presents both options of approach, but with three of five members of the House of Lords (one of whom dissented) looking for more than simply industriousness or “sweat of the brow”. The 1901 Supreme Court of Canada decision in *Cadieux v. Beauchemin* would, however, appear to have chosen a “sweat of the brow” formulation.

4. Similarities and Differences Between Canadian “Sweat of the Brow” and American “Creativity”

The general approach of Canadian and Commonwealth jurisprudence has been more in the direction of “sweat of the brow”,⁴⁰ with an absence of any express stipulation of a factor of “creativity” to establish “originality” and copyrightability.⁴¹ Nevertheless, a comparison of recent principal cases in the United States with a similar selection of like cases in Canada, will reveal practical outcomes, and in some instances, analytical approaches, that are relatively similar between the jurisdictions.

³⁷ See *Éditions Hurtubise HMH Ltée v. CEGEP André-Laurendeau*, [1989] R.J.Q. 1003, 1009-1015, 24 C.I.P.R. 248, 261-274 (Que. S.C.). See also *Horn Abbot Ltd. v. W.B. Coulter Sales Ltd.* (1984), 77 C.P.R. (2d) 145, 159 (F.C.T.D.).

³⁸ See *Pool v. Panwar* (1993), 50 C.P.R. (3d) 396, 402 (B.C.S.C.).

³⁹ *Tele-Direct*, *supra* note 7 at p. 307.

⁴⁰ See Howell and Gendreau, *supra* note 29 at 548 and Siebrasse, “Copyright in Facts and Information: Feist Publications Is Not, and Should Not Be the Law in Canada (1994) 11 C.I.P.R. 191.

⁴¹ Although the legal tests and formulations that have been applied are, in a literal sense, sufficient to include a “creative” requirement. See *supra* text accompanying notes 35 and 36.

4.1 Selected Post 1990 Cases in the United States

4.1.1 Protected

(a) *Dwyer* (1991): Annual directory of public relations firms - names, addresses, telephone numbers, major clients, significant personnel, time or period in business – copyright established, but insufficient evidence of infringement because of “independent creation”⁴²

(b) *Key* (1991)/*Bellsouth* (1991): Both cases involved “Yellow Pages” style of directory. *Key* involved a directory of “Chinese-American” businesses in New York. *Bellsouth* involved the “Greater Miami Yellow Pages.” Copyright was recognized in both instances. However, in *Key* there was no infringement as the defendant had used a different method of selection. In *Bellsouth* there was infringement as substantially the same selection format was used by the defendant.⁴³

(c) *Kregos* (1991): The plaintiff distributed to newspapers a “pitching form” setting out, in advance of a baseball game, information concerning past performances of the opposing pitchers of the upcoming games. There were nine categories. The District Court had found the selection of categories to be insufficiently creative, but the second circuit disagreed, finding there were many ways to present statistics and that therefore the way chosen by the plaintiff was form of expression and not a merger of form of expression and idea.⁴⁴

(d) *Lipton* (1992): The plaintiff compiled a collection of “terms of ventry”, being terms applying to nature and hunting. There were seventy-six terms. The defendant’s publication comprised seventy-three terms, of which seventy-two replicated the plaintiff’s publication. Infringement was clear as long as copyright existed in the plaintiff’s work. The court found affirmatively as the terms involved considerable translation and interpretation from historical sources; a selection of animals for inclusion; and a selection of terminology in the process of translation.⁴⁵

(e) *Marshall & Swift* (1994): Tax tables were accessed by entering numbers into a formula, although the tax tables were not original to the plaintiff, the method of number selection was creative and subject to protection.⁴⁶

⁴² *J.R. O’Dwyer Co. v. Media Marketing Int’l., Inc.*, 755 F. Supp. 599 (S.D.N.Y. 1991).

⁴³ *Key Publications, Inc. v. Chinatown Today Publishing Enterprises, Inc.*, 945 F. 2d 509, 512-516 (2nd Cir. 1991); *Bellsouth Advertising & Pub. Corp. v. Donnelley Information Publishing, Inc.*, 933 F. 2d 952 (11th Cir. 1991).

⁴⁴ *Kregos v. Associated Press*, 937 F. 2d 700, 704-706 (2nd Cir. 1991).

⁴⁵ *Lipton v. The Nature Company*, 781 F. Supp. 1032, 1034 (S.D.N.Y. 1992).

⁴⁶ *Marshall & Swift v. B S & A Software*, 871 F. Supp. 952 (W.D. Mich. 1994).

(f) *Oasis Publ.* (1996): The order or arrangement of judicial decisions and reasons in the reporter is copyrightable when the editor can decide the order as a matter of creativity, notwithstanding the publisher's guidelines.⁴⁷

4.1.2 Not Protected

(a) *Victor Lalli* (1991): Publisher of charts setting out winning numbers in gambling operations on the activity at the local racetracks. The format of the charts was no more than the "conventional" ways that the charts had been formatted since these (illegal) gambling operations began in the 1930's. These ways focused on the historical record of numbers that have won in the past. The various patterns of numbers have been given names such as "3-5-7 Old Way" or "the Brooklyn Handle". In effect the format of the chart was determined by the generic nature of the number sequence. For example, "the Brooklyn Handle" presents the last three digits of newspaper reporting of "the total sum of money bet each day on all of the horse races at the New York flat racing track".⁴⁸

(b) *Martindale-Hubbell* (1994): Annual directory of lawyers in the United States and Canada, including key biographical information and professional data, e.g., areas of practice. The defendant took only names and addresses and used as mailing list. The items taken were found to be not copyrightable in themselves.⁴⁹

(c) *Skinder-Strauss* (1995): The plaintiff published annual directories of lawyers practicing in particular states, known as "the Red Book". The state Continuing Legal Education Corp. had access to the plaintiff's compilation and published a directory known as "the Blue Book" that competed with the plaintiff's product. Significant elements of the plaintiff's book were found to be not copyrightable, but the overall selection and arrangement was considered to be protectable as a whole, against a reproduction as a whole.⁵⁰

(d) *Publications Int'l.* (1996): The parties were publishers of magazines and books of recipes. There was discussion as to whether the recipes alleged to have been copied were protected in themselves as literary works of the plaintiff or whether the copyright existed in the collection of the particular recipes - the "Discover Dannon" compilation of "recipes tested with Dannon yogurt". The court denied copyright in: (a) mere lists of ingredients, as these were simply statements of fact, that presented no literary expression; and (b) the instructions for cooking

⁴⁷ *Oasis Publ. Co. v. West Publishing Co.*, 924 F. Supp. 918 (D.C. Minn. 1996).

⁴⁸ *Victor Lalli Enterprises, Inc., v. Big Red Apple, Inc.*, 936 F. 2d 671, 672 (2nd Cir. 1991).

⁴⁹ *Martindale-Hubbell, Inc. v. Dunhill International List Co.*, (S.D. Fla. 1994).

⁵⁰ *Skinder-Strauss Assoc. v. Massachusetts Continuing Legal Education, Inc.*, 914 F. Supp. 665 (D. Mass. 1995).

because these infringed s. 102(b) of the U.S. *Copyright Act* (17 U.S.C. s. 102(b)) excluding from copyright protection a “procedure, process [or] system”, being a “functional” process.⁵¹

(e) *ProCD, Inc.* (1996): The plaintiff had compiled on a CD-ROM information taken from more than 3000 telephone directories. The product was known as “SelectPhone” and cost the plaintiff more than \$10 million to compile. It was also kept current. The defendant acquired the CD-ROM under license. He formed a web-site on the Internet and made the database available to anyone prepared to pay a fee lower than that charged by the plaintiff. Although the defendant was liable for breach of contract (the license agreement) copyright was assumed to not be available even though the organization of the data was “more original than the single alphabetical directory” in *Feist*.⁵²

Several factors can be isolated from this selection of American, largely post *Feist*, authorities:

- (a) Two elements are involved in every enquiry:
 - (i) Is the material copyrightable in favour of the compiler?
 - (ii) Has the defendant reproduced an infringing amount of the copyrightable material?⁵³

A failure to make an assessment as to copyrightability renders any judicial relief to be essentially relief against “unfair competition”. A “sweat of the brow”, or “industrious collection” approach was seen as not requiring this first element to be dealt with and was, therefore, seen as primarily a proceeding for relief against “unfair competition”, albeit in the guise of copyright infringement.⁵⁴

⁵¹ *Publications Int’l. Limited v. Meredith Corp.*, 88 F. 3d 473, 479-481 (7th Cir. 1996). The court noted that while copyright protection of recipes was doubtful in the United States for the reasons noted in the text (being merely a listing of facts together with functional instructions), many publishers of recipes can gain protection for literary compositions accompanying recipes, such as musings about history, ethnic origin or the spiritual nature of the particular food.

⁵² *ProCD, Incorporated v. Zeidenberg*, 86 F. 3d 1447 (7th Cir. 1996).

⁵³ The requirement of two elements is quite fundamental to any analysis of an infringement of a right. First, the existence of the right must be established; secondly, there is a determination as to whether the right has been infringed. It is stipulated in the analysis in *Feist*, *supra* note 5 at 113 L. Ed 2d 372 and articulated succinctly by the Second Circuit in *Key Publications*, *supra* note 43 at 514: “There are two elements to every claim of copyright infringement: (1) possession of a valid copyright, and (2) copying of those elements of the work that are copyrightable.”

⁵⁴ See *Feist*, *ibid.* at 374 noting a primary reason for the development of the unfair competition/misappropriation of business value tort in 1918 by the Supreme Court of the United States in *International News Service v. Associated Press*, [248 U.S. 215] was because copyright did not extend to “the news element” itself, but only to the form in which the news was expressed. For an analysis of the unfair competition proceeding see *infra* text accompanying note 138 *et seq.*

(b) The requirement of “copyrightability” stipulated in the first element, being focused on the *selection* and *arrangement* of the compilation, is predicated on the requirement of *originality*. Both American and Canadian law stipulate the need for originality. It is trite. Where American law (certainly after *Feist*) and Canadian law (until *Tele-Direct*) have differed is in what will constitute “originality” and, therefore, “copyrightability”. The reaffirmation in *Feist* of a need for a small measure of “creativity” is illustrated in the cases reviewed, where copyrightability was not present:

(i) In facts or with respect to activities (even if industrious activities) that are “mechanical”, “typical”, “garden variety”, as illustrated in *Martindale-Hubbell*, *Skinder-Strauss*, *ProCD* (all involving, essentially, “names and addresses”) and *Publications Int’l.* (list of facts); or

(ii) In matters that are dictated by external factors, as illustrated in *Victor Lalli* (format of a chart determined by the custom or convention of the industry) or for which there is only one way (or, perhaps, limited ways) of expressing the concept or idea, as addressed in *Kregos*. This analysis is almost identical with the “abstraction-filtration-comparison” approach to “non -literal” infringement of computer programs;⁵⁵

(c) Beyond these minimal levels,⁵⁶ copyrightability will be present, as illustrated by most “Yellow Pages” formats, involving some selection or arrangement into at least categories of businesses (*Dwyer*, *Key*, *Bellsouth* and *Oasis Publ.*), but the extent to which a selection may be predetermined by self or employer created guidelines may limit any creativity in completion (avoided in *Oasis Publ.* by the editors authority to decide apart from the guidelines); but a predetermined selection process will not necessarily preclude protection of it meets the minimal requirements for copyrightability and is not form of expression merged with idea (considered in *Kregos*) by limited options of expression. In effect, if the predetermined selection is itself original form of expression, its use should protect subsequent applications that involve more than an allocation that has been rendered “mechanical” by the guidelines.

(d) Copyright protects *selection* and *arrangement* which may exist in the compilation *as a whole*, even if constituent elements are not copyrightable in themselves (noted in *Skinder-Strauss*). The importance of selection and arrangement is demonstrated by comparing *Key* and *Bellsouth*. In the former a different selection of the same material was used and no infringement occurred. In the latter, the same selection format was used and an infringement was found.

⁵⁵ See *infra* text accompanying note 95 *et. seq.*

⁵⁶ The court in *Feist* recognized that the requirement of some element of “creativity” would not produce substantial differences between compilations that would qualify and those that would not. The court described this as involving: “some minimal level of creativity. Presumably, the vast majority of compilations will pass this test, but not all will. There remains a narrow category of works in which the creative spark is utterly lacking or is so trivial as to be utterly non-existent”. See *Feist*, *supra* note 5 at 377.

Likewise, even a similar format that the evidence shows to have been independently created (as in *Dwyer*) will not be an infringement.

(e) “Copyrightability” and “infringement” are intertwined. There is no infringement if non-copyrightable material is reproduced. If the whole is copyrightable, but constituent elements are not (as in *Skinder-Strauss*) then an infringement will occur only if the whole or a substantial part is reproduced or taken. This was the position in *Lipton* where of the plaintiff’s seventy-six terms, seventy-two were replicated in the defendant’s total of seventy-three terms. Yet this case would be incorrectly decided if mere numbers or extent of taking were sufficient to constitute infringement. The whole must also have reflected the selection and arrangement (from a compilation perspective).⁵⁷

4.2 Selected Canadian Cases

As noted earlier, a distinction between *quantitative* “sweat of the brow” and *qualitative* “creativity” in establishing original form of expression can be seen in the classic decision of *Walter v. Lane* in the House of Lords, with two members of the majority and the dissenting member preferring a *qualitative* or “creative” perspective.⁵⁸ Yet, the distinction has not subsequently been addressed in Commonwealth jurisprudence until the *Feist* decision in the United States brought a re-focusing on basic concepts and a questioning of the position in the Commonwealth, certainly in Canada.

The quantity/quality distinction is presented in terms of what will constitute “originality”. To this extent, comparisons can be made between recognition in Canada of compilations and recognition afforded in the United States, and a conclusion reached that the element of “creativity” stipulated in *Feist* is really quite minimal and that Canadian formulations that include elements that literally are qualitative (“skill”, “ingenuity”, “selection”, “taste”, “discretion” and “judgment”)⁵⁹ can be used to reconcile *Feist*.⁶⁰

The Canadian cases to be examined will demonstrate that this can be done. However, two broader matters must not be lost sight of:

⁵⁷ The content of the compilation in *Lipton*, *supra* note 45, may have been protected independently, being “translations” and interpretations of historical material. In this case the distinction between a “compilation” (the selection and arrangement of pre-existing information) and the material or information itself (the content of the compilation) is difficult to draw because both were created by the plaintiff. It appears that the selection included the choice of animals and terminology. This may have sufficiently imbued the whole, or a sufficiently substantial amount of the selection and arrangement of the whole product.

⁵⁸ See *supra* text accompanying note 29.

⁵⁹ See *supra* text accompanying notes 34-36.

⁶⁰ See *supra* text accompanying notes 37-39.

(a) Since 1994, Canadian copyright in a compilation is, under the *Act*, limited to the elements of *selection* and *arrangement*, and not the content or subject matter of the compilation. This focus has not always been presented in Canadian authorities, but it is similar to the statutory position in the United States and the test in *Feist*;

(b) The formulation (in *Feist*) of two questions, first as to whether copyright exists in favour of the compiler; and secondly, whether copyrightable work has been infringed presents a basic framework of approach that has not always been expressly identified in Canada, but nevertheless is fundamental to any copyright enquiry. A failure to ask the first question - the existence or absence of copyright – leads the analysis directly and simply to a comparison of the nature and appearance of the respective works and, if they are similar, to a conclusion of infringement. This has been suggested as being essentially an “unfair competition” analysis in the guise of copyright.⁶¹ The first question avoids this consequence by causing an assessment of which elements are copyrightable and whether *those elements* over the whole present a copyrightable work or whether *those elements* have been infringed.

Particular Canadian cases to note include:

(a) *T.J. Moore* (1973): A commercial catalogue of books for sale was protected. It had involved considerable creativity as well as effort. The entries had to be translated to French from samples available only in English from English language suppliers. The *Feist* test would be met as to *creativity*, but there was no focus on selection or arrangement of the catalogue.⁶²

(b) *Horn Abbot* (1984): The game of questions and answers, known as “Trivial Pursuit” was protected. Some 6000 questions were printed on 1000 cards and on the reverse side the answers - six questions and six answers on each card - were provided. Other forms of expression were involved. The defendant had similar games known as “Golden Trivia” and “Junior Trivia”. There was evidence of substantial identity between the questions and answers of the parties’ games. The *Feist* test of creativity would have been met; there would also be significant elements of selection and arrangement, although these terms were not discussed.⁶³

(c) *Slumber-Magic* (1984): An advertising brochure for adjustable beds was prepared by the plaintiff and copied by the defendant competitor. The court approached this issue in a manner very similar to the *Feist* approach, looking for:

(i) Whether copyright existed and for this purpose seeking originality. In this regard McLachlin J. commented:

⁶¹ See *supra* note 54 and accompanying text.

⁶² *T.J. Moore Co. Ltd. v. Accessoires de Bureau de Québec Inc.*, *supra* note 10.

⁶³ *Horn Abbot Ltd. v. W.B. Coulter Sales Ltd.* (1984), 77 C.P.R. (2d) 145 (F.C.T.D.).

“It is not the several components that are the subject of the copyright, but the overall arrangement of them which the plaintiff through his industry has produced. The basis of copyright is the originality of the work in question. So long as work, taste and discretion have entered into the composition, that originality is established. In the case of a compilation, the originality requisite to copyright is a matter of degree depending on the amount of skill, judgment or labour that has been involved in making the compilation;”⁶⁴

and

(ii) Whether the originality was in the *selection* and *arrangement* and finding the plaintiff to have “arranged the ensemble in an original way”.⁶⁵

There would have been sufficient creativity to meet the *Feist* test and the tests used by the court include a number of qualitative expressions. Overall, the differences between the approach in this case and those in *Feist* are small, including:

(i) No specific or particular emphasis on a need for an element of creativity or other qualitative factor in itself; and

(ii) No examination of the brochure for elements that were in themselves not copyrightable. Yet the court does acknowledge that it is not the fragments that are copyrightable, but “the over-all arrangement”⁶⁶ and this is illustrated in the post *Feist* case of *Skinder-Strauss* where an overall arrangement of non-copyrightable elements was considered eligible for protection. It is also consistent with *Feist*, provided that the infringement is of the brochure overall, rather than of isolated elements. In short, *that which is copyrightable must be that which is infringed*. The brochure was infringed overall and it was copyrightable overall, even if not copyrightable in its component elements.

(d) *Pool* (1993): The plaintiff, involved in real estate development, had completed a list of foreclosed properties. It listed detailed information as to the legal proceedings in each instance together with historical information concerning each property. Despite all of this detail, which ordinarily would go well beyond any minimal level of creativity, copyright was denied. Allan J. did not discuss *Feist*, nor any distinction between qualitative and quantitative factors, but did decide:

“The evidence falls far short of establishing that [the plaintiff] created an ‘original’ compilation which could be the subject of any copyright or moral rights. I am

⁶⁴ *Slumber-Magic Adjustable Bed Co. Ltd. v. Sleep-King Adjustable Bed Co. Ltd.*, *supra* note 10 at 84.

⁶⁵ *Ibid.* at 85.

⁶⁶ *Ibid.* at 84.

unable to conclude that he used his particular knowledge, skill, and experience in selecting the information.”

The court found the “genesis” of the listing to be in a sample sheet he received from another source.⁶⁷ This case would appear, therefore, to require some creativity beyond mechanical entry of new data. The format at least had been obtained from elsewhere. The court expressed difficulty with the evidence.

It is suggested that, overall, the practical difference in outcome between the traditional Canadian approach and that in the United States after *Feist* is relatively minimal as to the degree of “qualitative” element to be found in the efforts of compilers of databases. However, of more importance, is the sharpening of focus that *Feist* has presented. The two step approach is significant and appropriate: determining copyrightability then requiring that any infringement relate to that which was copyrightable, either overall or with respect to portions or components that have been copied; together with the emphasis on selection and arrangement as the focus of originality. They accurately reflect basic principles of any analysis of copyright protection and infringement. They are clearly presented in *Slumber-Magic*.

On the other hand, a more difficult case to reconcile is *British Columbia Jockey Club v. Standen*. The plaintiff published a news sheet for each day of racing. It contained many points of detailed information concerning each race. It involved a substantial amount of work, but the information was routine or mechanical (date, number, order, length and purses of races; assignment of jockeys; weight of each entry; post positions; and combinations of races for betting purposes). The defendant published a competing publication. It comprised additional information related to his experience as a handicapper. He did, however, copy basic information from the plaintiff’s publication, yet the format of his publication was “not at all similar to that of the [plaintiff’s publication].” The basis of the decisions at both trial and on appeal was the appropriation of the labour and skills of the plaintiff - pure “sweat of the brow” with respect to the content of the information possibly involving selection, but certainly not arrangement. The only passage that would suggest some hesitation is that of Hutcheon J.A. (concurring) who noted:

“There may be cases where the publication of material becomes part of the public domain either because of a statutory requirement to publish the material or because it is inherent in the circumstances that to recognize the claim to copyright would be contrary to public policy.”⁶⁸

Finally, in this evaluation of authorities, mention should be made that the need to find “originality” - “sweat of the brow” alone or some minimal level of creativity - is not singularly a problem of compilations. It is present in other contexts that involve works depicting very basic and ordinary elements. An extreme example might be a sign presenting an arrow or a hand with a

⁶⁷ *Pool v. Pawar*, *supra* note 38 at 402.

⁶⁸ *British Columbia Jockey Club v. Standen*, *supra* note 32. The concurring judgment of Hutcheon J.A. is at 288.

finger pointing in a particular direction. Is it copyrightable material? If so, what will constitute an infringement? Does it present a merger of form of expression and idea? More usual examples include basic forms or charts that do not compile or list information as such. The manner in which Canadian courts determine a level of originality in such contexts will raise some of the same issues presented with respect to compilations.

Three examples are given:

(a) In *U&R Tax Services Ltd. v. H&R Block Canada Inc.* (1995) involving a form for tax purposes, the Federal Court Trial Division expressly applied “sweat of the brow” in the following terms:

“A work must be ‘original’ in order to be afforded copyright. Industriousness (‘sweat of the brow’) as opposed to creativity is enough to give a work sufficient originality to make it copyrightable”;⁶⁹

(b) By contrast, in *Éditions Hurtubise HMH Ltée v. CEGEP André-Laurendeau* (1989), involving a chart, the Quebec Superior Court required, foreshadowing some of the analysis in *Feist*, that:

- copyright be established; and
- the preparation of the chart had to involve creativity.

Both were established on the evidence;⁷⁰ and

(c) The difficulties in this context are amply illustrated in *Boutin v. Bilodeau*, in which each level of court reversed the court below.⁷¹ The defendant had made scratch-out tickets comprising 100 squares. Scratching a square revealed an amount the player would contribute to the charity using the tickets. The plaintiff created similar tickets, also with 100 squares, placed in an identical manner to the squares on the defendant’s ticket. A similar,

⁶⁹ *U&R Tax Services Ltd. v. H&R Block Canada Inc.*, *supra* note 9.

⁷⁰ *Éditions Hurtubise HMH Ltée v. CEGEP André-Laurendeau* (1989), 24 C.I.P.R. 248 (Que. S.C.). In establishing copyright, the petitioner was able to rely on the presumption in s. 34(3), *Copyright Act* requiring the respondent to show that copyright did not exist.

⁷¹ *Boutin v. Bilodeau* (1992), 46 C.P.R. (3d) 395 (Que. C.A.) *rev.* (1994), 54 C.P.R. (3d) 160 (S.C.C.).

but not identical expression appeared on each of the tickets.⁷² The plaintiff had sued the defendant for defamation. The defendant counterclaimed breach of copyright. The Quebec Superior Court allowed the counterclaim. The defendant's scratch ticket was a literary work. The plaintiff had copied it. The Superior Court noted [translation]:

“The [the plaintiffs in the action] have not shown in any way that their scratch ticket is the fruit of their efforts, of their personal judgment and of their mind.”⁷³

This comment reflects both *effort* and *creativity*. The Court of Appeal reversed, finding insufficient similarity between the tickets. Essentially, finding the defendant to have copied only the idea from the plaintiff's tickets:

“[t]he size of the tickets, their construction, colour and general appearance are different.”⁷⁴

The Supreme Court of Canada reversed in a brief judgment stating that the trial judge had “correctly stated the criteria for infringing and had applied them appropriately to the facts.” The Court of Appeal was found to have erroneously required the copy to be “a simple copy” [or an exact copy] to constitute infringement.⁷⁵

5. The NAFTA Amendments to the Copyright Act

The expression “compilation” and its definition in s. 2, *Copyright Act*⁷⁶ with effect from January 1, 1994 was included in the legislation implementing the North American Free Trade Agreement.⁷⁷ The structure of the definition, identifying the “work”, or focus of protection, as the *selection* and *arrangement* of the subject matter, clarifies that the element of “originality” under s. 5, *Copyright Act* must relate to the factors of selection and arrangement. This might be seen as reflective of the definition of “compilation” in the 1976 Copyright Act in the United States⁷⁸ and of the analysis in *Feist* where the United States Supreme Court noted:

⁷² *Ibid.* at (1993), 46 C.P.R. (3d) 398. The defendant's ticket stated [translation]: “Scratch on the other side the number of windows which corresponds to your generosity.” The plaintiff's ticket stated [translation]: “Yes! Feel the pleasure of scratching according to your generosity.”

⁷³ *Ibid.* at 396-397.

⁷⁴ *Ibid.* at 397-398, quotation is at 398.

⁷⁵ *Boutin*, *supra* note 71 at (1994), 54 C.P.R. (3d) 160.

⁷⁶ See *supra* text accompanying note 3.

⁷⁷ *North American Free Trade Agreement Implementation Act* 1993, S.C. 1993, c. 44, s. 53(3).

“In determining whether a fact-based work is an original work of authorship [the courts] should focus on the manner in which the collected facts have been *selected, coordinated and arranged*”⁷⁹ (*emphasis added*)

However, a compilation is *inherently* a matter of selection and arrangement. As such, these criteria can be said to have already existed in Canadian (and other Commonwealth) copyright law.⁸⁰ The express inclusion of them within the NAFTA implementation legislation might, therefore, be seen as merely codifying existing Canadian copyright law and principle. *Feist* can be said to have been more concerned with the *manner* in which the criteria of selection and arrangement are effected – industrious collection or “sweat of the brow” on the one hand and, on the other, a requisite element of “creativity”. Upon this interpretation the NAFTA implementation provision defining “compilation” in this manner can be said to have made no change to Canadian copyright law.

The decision in *Feist* in 1991 clearly focused attention on the choice between the two alternative means of establishing original form of expression in a compilation.⁸¹ The 1997

decision by the Federal Court of Appeal in *Tele-Direct* expressed the NAFTA implementation legislation “to have decided the battle”, noting:

“The definition of ‘compilation’ must be interpreted in relation to the context in which it was introduced. Simply put, it was introduced as a result of the signature of the North American Free Trade Agreement and with the specific purpose of implementing it.”⁸²

The court continued by examining Article 1705, North American Free Trade Agreement, noting in particular,⁸³ the reference to “intellectual creations” in Article 1705(1)(b) as follows:

⁷⁸ See *Copyright Act*, 1976, 90 U.S. Stat. 2541, 17 U.S.C. s. 101 defining “compilation” as: “A ‘compilation’ is a work formed by the collection and assembly of pre-existing materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term ‘compilation’ includes collective works.”

⁷⁹ *Feist*, *supra* note 5 at 113 L.Ed. 2d 377.

⁸⁰ This is demonstrated most explicitly in *Slumber-Magic*. See *supra* text accompanying notes 64 and 65.

⁸¹ See Howell and Gendreau, *supra* note 29 at 549. See also D. Vaver, *Intellectual Property Law: Copyrights, Patents, Trade-marks*, Irwin Law, Concord, Ont., 1977 at p. 38.

⁸² *Tele-Direct*, *supra* note 7 at 302.

⁸³ *Ibid.* at 302.

“1. Each Party shall protect the works covered by Article 2 of the Berne Convention, including any other works that embody *original expression* within the meaning of that Convention. In particular:

...

“(b) compilation of data or other material, whether in machine readable or other form, which by reason of the *selection* or *arrangement* of their contents constitute *intellectual creations*, shall be protected as such” (emphasis added).

The court considered:

“[t]he use of [the words ‘intellectual creations’ to be] most revealing: compilations of data are to be measured by standards of intellect and creativity”⁸⁴

In addition, the court expressly linked these references to the traditional requirement that only “original expression” of such “intellectual creations” is to be protected.⁸⁵ This is very significant and is discussed more fully under the next sub-heading concerning the analogy between the protection of compilations and the protection of computer software programs against “non-literal” copying. In this regard note should be made of:

- (a) Both compilations and computer software programs are frequently linked in a technological sense as today most compilations are electronic, digitized databases connected to systems and applications software;
- (b) Case development of copyright law in both contexts in the United States is linked conceptually; and
- (c) In both contexts developing case law seeks to focus copyright protection on identifying the original creation of expression by the particular author and protecting only such creation. This is to be contrasted with the more intuitive “unfair competition” style of approach that looks at completed products or works and compares *relative* effort to see if one party “reaped where he had not sown.”

The emphasis by the Federal Court of Appeal in *Tele-Direct* on the need to focus copyright protection on “original expression” would suggest cognizance and, perhaps, concern by the court as to some limitation of the scope or reach of copyright.

Before considering this matter further, note should be made of the position of the Federal Court of Appeal concerning reference to United States materials rather than to traditional Anglo-Canadian sources:

⁸⁴ *Ibid.* at 303.

⁸⁵ *Ibid.* at 304.

“[The court did] not wish to be interpreted as saying that Canadian courts when interpreting [NAFTA provisions] should move away from following the Anglo-Canadian trend. [The court simply suggests] that where feasible without departing from fundamental principles, Canadian courts should not hesitate to adopt an interpretation that satisfies both the Anglo-Canadian standards and the American standards.”⁸⁶

Satisfying *both* may not be entirely possible, but the difference between the two has been noted as one of degree, with any requirement of “creativity” being relatively minimal. More importantly, Canadian courts have been, and continue to be, prepared to consider American authorities and perspectives and, if they are appropriate to the circumstances in Canada,⁸⁷ will apply those authorities and perspectives. This is most clearly and appropriately illustrated in the substantial reliance to date of Canadian courts on United States analysis of “non-literal” copying of computer software programs, as noted below. Such harmonization reflects the continental market created by NAFTA and the continental, indeed global, reach of digital communications and accompanying software products. The Federal Court of Appeal considered this to be consistent with the purpose of NAFTA and Canada’s obligation of implementation.⁸⁸

The dismissal by the Supreme Court of Canada on May 21, 1998 of the Application for Leave to Appeal leaves the law in Canada as declared by the Federal Court of Appeal.⁸⁹ The result has been described as presenting a “dramatic turn” and going beyond the traditional approach of reading international treaties as:

⁸⁶ *Ibid.* at 304.

⁸⁷ The Federal Court of Appeal, *ibid.* at 304, relied on dicta of Estey J. (S.C.C.) in *Compo, supra* note 17 at 367, warning (noted by the F.C.A. to have been given before the United States was a party to the Berne Convention) of the need to exercise care in using in Canada authorities from the United States because of conceptual differences between the Canadian and American systems, but nevertheless finding them to provide some assistance. See also *Prism Hospital Software Inc. v. Hospital Medical Records Institute* (1994), 57 C.P.R. 3d 129 (B.C.S.C.) concerning the protection of computer software programs from “non-literal” copying. Relying on United States authorities, including *Feist*, the court noted: “In the United States both the size of the computer industry and the extent of litigation have generated a considerable number of decisions involving the application of copyright law in computer cases. These decisions are not binding on courts in Canada, but they are entitled to both consideration and respect where they touch on areas which have not been considered or issues that are similar in both American and Canadian legislation.” (at 271).

⁸⁸ *Ibid.* at 304.

⁸⁹ The decision of the Federal Court of Appeal does not bind the courts of the Provinces. However, in the circumstances of the proceeding in *Tele-Direct* and the desirability for a uniformity of law in this matter within Canada, provincial courts are likely to follow the decision as a matter of comity between superior courts of different hierarchies in Canada.

“an interpretative guide to understanding the scope and intent of implementing legislation and its effect on the current law”⁹⁰

As noted earlier, a more traditional interpretation was entirely possible,⁹¹ but the intention of Parliament in enacting the definition of “compilation” in the NAFTA implementation legislation is open to different perspectives of interpretation. In this writer’s view, the choice before the court was quite evenly balanced. The adoption of *Feist* was a possibility in the whole of the circumstances.

Additionally, it is suggested that the result will more effectively achieve the intent of Article 1705(1) of NAFTA, which includes the proscription:

“The protection a Party provided under paragraph [1705(1)(b)] shall not extend to the data or material itself”

This proscription is also included in Article 10(2) of the TRIPs Agreement,⁹² the latter implemented in Canadian copyright law with effect from January 1, 1996.⁹³ Article 10(2), as follows, also contains the same phrase “intellectual creations” as in Article 1705(1)(b) of NAFTA and directs attention to *selection* and *arrangement*, while prohibiting extending copyright protection to the data or subject matter itself:

“10(2) Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute *intellectual creations* shall be protected as such. Such protection, *which shall not extend to the data or material itself*, shall be without prejudice to any copyright subsisting in the data or material itself.”⁹⁴ (emphasis added)

The *Feist* test, by requiring a higher level of “original” contribution to the “form” in which a compilation is expressed, will more readily demarcate between the data itself and the original

⁹⁰ See R.E. Pantalony, “NAFTA Kills Copyright Protection for Databases”, Intellectual Property World Wide, The New York Publishing Company, September/October 1998, p. 19 available at http://www.ipwww.com/september98/p.19_nafta.html.

⁹¹ See *supra* text accompanying note 80.

⁹² “Agreement on Trade-Related Aspects of Intellectual Property Rights” Annex 1C to “The Agreement Establishing the World Trade Organization” (“WTO Agreement”).

⁹³ See *World Trade Organization Agreement Implementation Act*, 1994, S.C. 1994, c. 47.

⁹⁴ The provisions of TRIPs Article 10(2) are substantially similar to those of NAFTA Article 1705(1)(b) including the proviso in each instance. Arguably, the “sweat of the brow” theory is more likely to provide protection for the data itself as the emphasis tends to be upon relative effort between the parties. However, the test could be focused essentially upon factors of selection and arrangement.

contribution of selection and arrangement of that data. The “form” contributed by an author to a compilation is less likely to be indistinguishably merged with the data or content of the compilation as is often the position with simply industrious effort. As a result, it will prevent copyright protection from extending to cover “the data or material itself” and thereby comply with the proscriptions in Article 1705(1) of NAFTA and Article 10(2) of TRIPs. In effect, the question is not whether prior to the decision in *Tele-Direct* copyright law in Canada protected databases, but rather, whether, by focusing merely on industriousness or “sweat of the brow”, copyright protection in Canada went beyond protecting selection and arrangement and afforded a compiler with, in essence, protection of the data or material itself. The *Feist* test will more readily ensure that it will not.

A further matter is the conceptual consistency between the *Feist* test for compilations and the developments that are occurring in other areas of copyright law. This is particularly so with respect to “non-literal” copying of computer software programs, products closely linked with compilations, at least electronic, digitized databases. As will be demonstrated, the developing emphasis in this context is firmly on the identification and protection of only the form of expression that is original to the author, not other form, nor facts, nor material in the public domain or otherwise not created by the author.

However, in the context of databases, there could be mixed views as to what is protectable, e.g., against unauthorized reproduction, considering that data and facts are by themselves not protectable. On the one hand, the compilation would be protected as a work, where the selection and arrangement have met the required originality test; on the other hand, the sole elements of selection and arrangement present in the compilation would be protected without the data and facts. In the case of a compilation being protected as a work, too strong a similarity with data and facts of a protected compilation, separately or together with a similarity with its selection and arrangement elements, could be used to demonstrate that an unauthorized reproduction of that work would have occurred. In the case of copyright only protecting the selection and arrangement and not the data and facts, a “similarity” test would not be applicable, except for the selection and arrangement elements.

6. The Relationship Between Compilations and Computer Software

The protection of computer software against “literal” copying is well established and did not involve in Canada any express or formal adoption of United States law or policy.⁹⁵ However, the position concerning protection of software programs against “non-literal” copying is to date, in Canada, substantially in conformity with, and with reliance on, the analysis in leading decisions in the United States. It is, however, important to note that the prevailing analysis in American courts is not free of doubt. This is illustrated by the inability of the United States Supreme Court

⁹⁵ See *Copyright Amendment Act*, 1988, R.S.C. 1985 (4th Supp.) c. 1, s. 1(2) inserting the definition “computer program” in s. 2 and including that expression in the definition in s. 2 for “literary work”. See also *Mackintosh Computers Ltd. v. Apple Computer Inc.*, [1990] 2 S.C.R. 209; (1990), 30 C.P.R. (3d) 257.

in *Lotus Development Corp. v. Borland International, Inc.* to provide some direction. With eight members sitting, and despite full argument having been heard, the court reported simply:

“Per Curiam. The judgment of the United States Court of Appeals for the First Circuit is affirmed by an equally divided Court.”⁹⁶

Canadian courts have referred favourably to the prevailing current analysis of United States Courts of Appeals in an application of a test of “abstraction-filtration-comparison” to isolate protectable form of expression from non-protectable form or non-protectable facts and ideas.⁹⁷ The essence of this approach is to limit copyright protection to only those elements that are “original” to the plaintiff author.⁹⁸ It is an analytical approach that looks to, and tests, the claim to copyright itself, rather than to focus on the infringement by the defendant and how closely or substantially his or her “work” compares with that of the plaintiff. The “abstraction-filtration-comparison” test seeks to identify *what has been created* by the author. It is predicated more on the trite distinction between protectable form of expression and unprotectable facts, information

or ideas.⁹⁹ The United States Supreme Court in *Feist* is similarly focused on “what is protectable” with respect to “compilations”. It is, therefore, not a coincidence that the *Feist* analysis is cited at length in support of “abstraction-filtration-comparison” analysis.¹⁰⁰ In Canada, a literal reading of the definition of “compilation”, introduced in s. 2 *Copyright Act* with effect from January 1, 1994, would support this approach. As indicated above, the requisite element of “originality” is, under the definition and in conjunction with s. 5, focused on *selection* and *arrangement* of compilations - i.e. what has been contributed by the plaintiff author.¹⁰¹

Overall, the primary question still remains -- what is the proper limitation on the scope or application of copyright law? The *Feist* and *Tele-Direct* decisions with respect to “compilations” and the “abstraction-filtration-comparison” approach to protecting software from “non-literal”

⁹⁶ *Lotus Development Corp. v. Borland International, Inc.*, 516 U.S. –, 133 L.Ed. 2d 610 (1996).

⁹⁷ In the United States see e.g. *Computer Assoc. Int’l, Inc. v. Altai, Inc.* 982 F.2d 693 (2nd Cir. 1992) and *Lotus Development Corporation v. Borland International, Inc.*, 49 F. 3d 807, 815 (1st Cir. 1995) affd 516 U.S. –, 133 L.Ed. 2d 610 - see *ibid.* In Canada, see *Delrina Corporation (Carolian Systems) v. Triolet Systems Inc.* (1993), 47 C.P.R. (3d) 1 (Ont. H.C.). See also *Prism*, *supra* note 87 considering broader issues concerning computer programs.

⁹⁸ See *Prism*, *ibid.* at 270 citing *Feist*.

⁹⁹ See *Prism*, *ibid.* and *Delrina*, *supra* note 97 at 41 discussing the relationship between “form of expression” and “idea” and commenting: “If an idea can be expressed in only one or in a very limited number of ways, then copyright of that expression will be refused for it would give the originator of the idea a virtual monopoly on the idea”.

¹⁰⁰ See *Computer Assoc. Int’l, Inc. v. Altai, Inc.*, *supra* note 97 at 711-712.

¹⁰¹ See *supra* text accompanying notes 3 and 4.

copying, are inherently limited to the form of expression that is original to the author. The “sweat of the brow” theory (as well as any approach of “total concept and feel” or “look and feel” for software programs) is not. The latter acknowledges effort and finds some measure of that effort to have been taken by the defendant. The protection of “effort” is not necessarily limited to protecting original expression. It will frequently include ideas, facts or public domain material. A minimal requirement of “creativity” may bring a refocusing on original expression. This refocusing may be supported by reference to Article 1705(1)(b) of NAFTA and Article 10(2) of the TRIPs Agreement as noted earlier.¹⁰²

Finally, within the context of the relationship between compilations and computer software, note should be made of *GEAC J&E Systems Ltd. v. Craig Erickson Systems Inc.*¹⁰³, finding after substantial analysis the expression “software” to include not only “programs” but also “data files”, at least “to the extent of their design and structure.”¹⁰⁴

7. The Relationship Between the Copyright in the Compilation and any Copyright in the Data or Subject Matter

Article 10(2) of the TRIPs Agreement also expressly addresses the relationship between the copyright in the compilation or database and the copyright subsisting in any data or material in the database or compilation. This provision stipulates that the copyright protection that is required to be afforded to compilations, in addition to not extending “to the data or material itself”:

“shall be without prejudice to any copyright subsisting in the data or material itself”¹⁰⁵

Section 2.1(2) of the *Copyright Act*, already in effect at the time of the TRIPs Agreement, meets this requirement. It is clearly in accordance with established principle that an existing right of exclusivity is not abrogated merely by the recognition of a different exclusivity in another.

Of more concern is whether copyright can exist in a compilation or database that comprises data or material entered (i.e. reproduced) in the database without the consent of the

¹⁰² See *supra* text accompanying notes 82-84 and 91-95.

¹⁰³ *GEAC J&E Systems Ltd. v. Craig Erickson Systems Inc.* (1992), 46 C.P.R. (3d) 25, 33-37 (Ont. G.D.).

¹⁰⁴ *Ibid.* at 37.

¹⁰⁵ Article 10(2), TRIPs Agreement, see *supra* text accompanying notes 92-94.

owner of the copyright in that material. In effect, is a compilation of infringing works itself precluded from gaining copyright. Case law would suggest that copyright should be denied.¹⁰⁶ If this is correct, then other grounds of illegality concerning the data or subject matter may have a similar consequence. For example, a compilation may include subject matter the disclosure of which may be in violation of a trade secret or obligation of confidence,¹⁰⁷ or the subject matter may be tainted in some manner by fraud,¹⁰⁸ or anti-competitiveness,¹⁰⁹ or simply be obscene or contrary to public policy.¹¹⁰ In the United States copyright in a compilation is expressly excluded if the compilation contains “material used unlawfully”.¹¹¹

This context raises an area of copyright that presents considerable difficulty. Canadian case law exists in a context of obscenity or morality¹¹² and is similar to the modern trend in the United States¹¹³ of not denying copyright in works of immorality or obscenity, but rather denying particular types of remedies that cannot, conceptually or (in Canada) from a policy perspective, be

¹⁰⁶ See *T.J. Moore Co. Ltd. v. Accessoires de Bureau de Québec Inc.*, *supra* note 10 and *Slumber-Magic Adjustable Bed Co. Ltd. v. Sleep-King Adjustable Bed Co. Ltd.*, *supra* note 10.

¹⁰⁷ In *Attorney General v. Observer Ltd.*, [1990] 1 A.C. 109 (*sub nom.* *Attorney General v. Guardian Newspapers Ltd. (No. 2)*), [1988] 3 All E.R. 545 (Ch., C.A. and H.L.) [future references are to the All E.R. reports], concerning the well known proceedings concerning the book “Spycatcher” by Peter Wright, copyright would have been denied, or at least not enforced, as a result of the inclusion in the publication of confidential material from the United Kingdom’s Security Service. See *ibid.* at [1988] 3 All E.R. 645 (Lord Keith), 648 (Lord Brightman), 654 (Lord Griffiths) and 668 (Lord Jauncey).

¹⁰⁸ See e.g. *British Oxygen Co. v. Liquid Air Ltd.*, [1925] Ch. 383, 392 (Ch. D.). The denial of copyright or non-enforcement of copyright, for reasons of “fraud”, appears to have been accepted in *Pasickniak v. Dojacek*, [1928] 1 W.W.R. 865, 37 Man. L.R. 265, [1928] 2 D.L.R. 545, 554 (Man. C.A.) but left open in *Aldrich v. One Stop Video Ltd.* (1987), 13 B.C.L.R. (2d) 106, 141; 13 C.I.P.R. 202, 17 C.P.R. (3d) 27 (B.C.S.C.).

¹⁰⁹ See *Massie & Renwick Ltd. v. Underwriters’ Survey Bureau Ltd.*, [1937] S.C.R. 265, 268, [1937] 2 D.L.R. 213. For subsequent proceedings see [1940] S.C.R. 218, 1 D.L.R. 625, (1944) 3 C.P.R. 184.

¹¹⁰ See Howell, “Copyright and Obscenity: Should Copyright Regulate Content?”, (1994), 8 I.P.J. 139.

¹¹¹ *Copyright Act* 1976, 90 U.S. Stat. 2541, 17 U.S.C.A. s. 103(a). Compare the position under the U.S. *Copyright Act*, 1909, 35 U.S. Stat. 1077 to the effect that the consent of the prior owner was a prerequisite to gaining copyright protection in any derivative work. The 1976 expression “material used lawfully” is, literally, broader than simply the inclusion of works that infringe copyright of another. It could encompass, for example, works disclosed in a compilation in infringement of trade secret or an obligation of confidentiality.

¹¹² See *Pasickniak v. Dojacek and Aldrich v. One Stop Video Ltd.*, *supra* note 108 and *R. v. Ghnaim* (1988), 28 C.P.R. (3d) 463, 472 (Alta. Prov. Ct.) *rev. in part* (on other grounds) (1989), 102 A.R. 345 (C.A.).

available for a work containing an illegality. For example, if a work is obscene under the *Criminal Code* it cannot lawfully be distributed¹¹⁴ and, therefore, no legitimate loss has been suffered as a result of any infringement. Likewise, no lawful profits may be made, thereby denying a remedy by way of an accounting for profit.¹¹⁵ On the other hand, an injunction will issue to prevent an infringement. Relief by way of injunction does not depend upon any

requirement that there be an ability to lawfully distribute the work.¹¹⁶ Furthermore an injunction meets policy goals of preventing further distribution of an obscene matter.¹¹⁷

If this approach is sustained in Canada, it may be in conflict with case law concerning whether an infringing work can itself be protected by copyright. Authoritative judicial comment in Canada would suggest that it cannot be protected.¹¹⁸ On the other hand, an alternative position would allow copyright to exist notwithstanding the infringement, as to deny protection would be to rewrite [in Canada, s. 5, *Copyright Act*] to protect only “every [lawful] original literary dramatic musical and artistic work.”¹¹⁹ The position in this case was to reject interpolating the

¹¹³ The seminal modern cases in the United States are *Mitchell Brothers Film Group v. Cinema Adult Theatre*, 604 F. 2d 852 (5th Cir. (1979) certiorari denied. 445 U.S. 917 (1980) and *Jartech Inc. v. Clancy*, 666 F. 2d 403 (9th Cir. 1982), certiorari denied. 459 U.S. 826, 459 U.S. 879 and rehearing denied., 459 U.S. 1059, 463 U.S. 1237 (1982). These cases rejected the earlier authorities that denied copyright on the basis that a content of indecency could not be encompassed within the constitutional requirement of promoting “the Progress of Science and useful Arts” (see *supra* text accompanying note 11). See Phillips, “Copyright in Obscene Works: Some British and American Problems” (1977), 6 *Anglo-Am. L. Rev.* 138, who considerably influenced the *Mitchell Brothers* decision and Howell, *supra* note 110 at 163-166, for a review of the position in the United States.

¹¹⁴ See *Aldrich*, *supra* note 108 at 140.

¹¹⁵ *Ibid.* at 141-142.

¹¹⁶ *Ibid.* at 141.

¹¹⁷ In *Aldrich*, Davies J. sought to balance the policy objectives of preventing the illegal distribution of an obscene work and the enforcement of copyright. The issue of an injunction achieved both objectives. *Ibid.* at 135.

¹¹⁸ See Estey J. for the Supreme Court of Canada *in obiter*: “No unauthorized exercise of [an] owner’s mechanical rights in a work can produce in the wrongdoer a copyright in the resultant record”, *Compo Co. v. Blue Crest Music Inc.*, *supra* note 18 at 374-375. See also *Hayhurst*, “*Compo Co. Company Limited v. Blue Crest Music Inc.*” (1982), 31 U.N.B.L.J. 242, 248-249.

¹¹⁹ See *Redwood Music Ltd. v. Chappell & Co.*, [1982] R.P.C. 109, 120 (Q.B.) (Goff J.)

word “lawful”.¹²⁰ This position stands in sharp contrast with the English position concerning works that are obscene, immoral or contrary to the public interest. English law is still to deny copyright protection for such works.¹²¹ The position as to illegality is, therefore, in need of further analysis.

The matter was before the Supreme Court of Canada in *Massie & Renwick Ltd. v. Underwriters’ Survey Bureau Ltd.* where the court considered whether an interlocutory injunction should issue to prevent copyright infringement of particular business forms. The result of such injunction would, however, have been “merely one step in the prosecution of a scheme ...

to further some illegal object.”¹²² In other words, the enforcement of copyright could have assisted or furthered the alleged anti-competitive purpose.¹²³ To the extent that this would occur, to deny enforcement in such instances is consistent with the approach in instances of obscene works of directing the policy response to the availability of particular remedies.¹²⁴

¹²⁰ *Ibid.* However, contrast 9 Halsbury’s Laws of England, 4th ed. Para. 833.

¹²¹ See *Attorney General v. Observer Ltd.*, *supra* note 107 concerning the “Spycatcher” proceedings. See also Howell, *supra* note 110 at 147-154, considering the different emphasis at common law (where a finding of illegality under the general law is favoured) from that in equity (where, even if the work were not otherwise illegal, the court might find it to be immoral and contrary to the public interest). The current position in the United Kingdom would appear to reflect the position in equity.

¹²² *Massie & Renwick Ltd. v. Underwriters’ Survey Bureau Ltd.*, *supra* note 109 at p. 268. The forms were fire insurance plans and rating schedules of an insurance underwriters’ association formed in 1883. The material had become the industry standard. However, only members of the association were given access to them. The appellant was not a member of the association, but nevertheless had authorized others to make copies of the documentation, which he used and claimed against the association that its withholding of the documentation was an offence under anti-competitive legislation. Enforcement of copyright would possibly aid this purpose.

¹²³ The relationship between intellectual property rights and anti-competitive or anti-trust laws is only today beginning to evolve. The exercise of intellectual property rights per se is not anti-competitive. There ordinarily must be other activities relating to the manner in which the intellectual property rights are exercised that will give rise to violations of anti-competitive or anti-trust laws. See e.g. “Anti-trust Guidelines for the Licensing of Intellectual Property”, U.S. Department of Justice and the Federal Trade Commission, April 6, 1995. See also Roberts, “Technology Transfer Agreements and the North American Competition Law” (1995), 9 I.P.J. 247.

¹²⁴ See *supra* text accompanying notes 113-116.

However, when this analysis is applied to a compilation or database the position is less clear. The inclusion of illegal material in a compilation or database may enhance the distribution of such material so that protecting the database might further the purpose or consequence of illegality. On the other hand, the enforcement of copyright in a compilation or database may assist in preventing the *unauthorized* distribution of its contents. The problem, however, is that copyright protects only the *selection* and *arrangement* of the subject matter or data. While the selection and arrangement may not be illegal in itself, the existence of these factors of selection and arrangement may “further” or “facilitate” access to the illegal subject matter, so that enforcement of copyright might not be appropriate. Some questions do, however, remain. For example:

- (a) Should there be a measure, level or extent of illegality that ought to be present in any database or compilation before it, as a whole, is tainted?
- (b) If the illegality, is in the nature of an infringement of another’s copyright i.e. the compilation or database includes infringing works, is there any scope for continuing copyright protection in the compilation, but invoking a theory of constructive trust against the owner of the compilation or database in favour of the owner of the work that has been infringed by its inclusion? The possible use of the vehicle of constructive trust in such circumstances was contemplated by some of the judges in the “Spycatcher” proceedings in the United Kingdom.¹²⁵
- (c) To what extent might the operator of a database or compilation be liable for contributing to, or “authorizing”, copyright infringement by users of the database, with respect to unauthorized subject matter included in the database?¹²⁶

8. A Compilation and the Defence of Fair Dealing (Canada) or Fair Use (United States)

There has been no reported instance in Canada of the “fair dealing” defence (ss. 29-29.2, *Copyright Act*) being considered with respect to compilations or databases. The “work” being the selection and arrangement, any application of the defence would have to relate to an offending usage of those factors, and issues of *inter alia* quantitative and qualitative “fairness”, would need to be similarly focused. This was noted in the United States Eleventh Circuit in *Southern Bell Telephone and Telegraph Company v. Associated Telephone Directory Publishers* as:

“Where ... it is the publisher of the compilation who claims a copyright injury to its selection and arrangement of pre-existing material, as a whole, and not the authors

¹²⁵ See *Attorney General v. Observer Ltd.*, *supra* note 107 at 664 (Lord Goff) and in the lower courts at 621 (Dillon L.J.) and at 567 (Scott J.). See also Lord Griffiths (at 654) making this suggestion but denying ownership in *Wright*. In this regard, *Wright* would have to be the legal owner with the beneficial interest in the Crown. See *Howell*, *supra* note 110 at 157-158.

¹²⁶ *Copyright Act*, s. 3(1).

of the pre-existing materials, it is irrelevant whether the pre-existing materials are themselves capable of being copyright”

and

“mere use of the information contained in a directory without a substantial copying of the format does not constitute an infringement”¹²⁷

In other words, any reproduction of the subject matter or content of a database or compilation would not raise any issue of “fair dealing” as subject matter or content is not protected by copyright in favour of the owner of the compilation, except so far as that owner may have been assigned or licensed by the copyright holders of the subject works. There may, of course, be an issue of “fair dealing” between the user of a database and the holder of copyright in the subject matter or data.

In the United States compilations have been evaluated in the context of the “fair use” defence. A focus on selection and arrangement has been required,¹²⁸ but when applied to particular facts, the analysis has tended more to a “sweat of the brow” or “relative effort” comparison between the parties. For example, early cases required a second compiler to independently complete the compilation expending his own labour and effort, but then allowed the first compilation to be used “for purposes of verification or for clues to common source material.”¹²⁹ The nature of the work and manner of its utilization have been significant factors.

In *Southern Bell Telephone*, a pre-*Feist* case, but one where the Eleventh Circuit had rejected the “sweat of the brow” theory for originality,¹³⁰ rejected “fair use” where Southern Bell’s “Yellow Pages” were photocopied, then cut apart and individual listings attached to “individual solicitation forms” sent to the listed persons. The court described “fair use” with respect to compilations as follows:

¹²⁷ *Southern Bell Telephone and Telegraph Company v. Associated Telephone Directory Publishers*, 756 F. 2d 801, 810 (11th Cir. 1985).

¹²⁸ *Ibid.* at 810-811.

¹²⁹ See *Southern Bell*, *ibid.* 810 (note), quoting from an earlier (1984) edition of Nimmer on Copyright. The court subsequently noted that “unfair competition and deceptive trade act violation” might provide a more effective vehicle to deal with a “taking” of research and data that had been collected (*ibid* 813).

¹³⁰ *Southern Bell Telephone*, *ibid.* at 809.

“While the opportunity to use the fair use defense for copyright research is broad, the opportunity is narrow once the research is selected and arranged into a compilation and is copied.”¹³¹

In this case the defendant appears to have used substantially the whole of the entries in the plaintiffs “Yellow Pages”. This, therefore, linked the usage directly with the plaintiff’s selection and arrangement.

The linkage to selection and arrangement is less obvious in *Telerate Systems, Inc. v. Caro*, involving a database of “price quotations of various securities and newsletter-type of information” that was “designed to be used and read one page at a time”.¹³² The court rejected “fair dealing” noting:

“It is misleading ... to suggest that copying only a few pages of 20,000 total pages of information on the database is not substantial. Although as a purely quantitative matter such use is not substantial, qualitatively, copying those few pages may be substantial in light of the structure and typical use of the database”¹³³

The pages in the database in this case may have been completed by the plaintiff compiler, however, if the contents had been independent works, it is suggested that it is difficult to use the qualitative factor of a “fair use” to link a small portion of the substance of the content of the compilation with the copyright in the selection and arrangement of the database.

The “fair dealing” provision in Canada is, of course, far narrower and more limited and specific than “fair use” in the United States. Yet, in determining what is “fair” in “fair dealing” concerning databases or compilations in Canada, the issues of “quantitative/qualitative” factors and the need to focus copyright protection on the selection and arrangement elements of the compilation will present a similar issue as that presented in the American authorities.

9. The Relationship Between Copyright and Trade Secret (Confidential Information) and Unfair Competition

In the United States, the relationship between federal copyright jurisdiction and state law jurisdiction in areas such unfair competition (misappropriation) and trade secret protection, has been a subject of substantial litigation. The issue is essentially whether state law initiatives have encroached on areas “preempted” by federal copyright law.¹³⁴ These difficulties have not to date

¹³¹ *Ibid.* at 810-811.

¹³² *Telerate Systems, Inc. v. Caro*, 689 F. Supp. 221, 229 (S.D.N.Y. 1988).

¹³³ *Ibid.* at p. 229.

occurred in Canada, very likely because common and civil law developments have not moved to encompass broadly-based unfair competition or misappropriation remedies that might provide an alternative protection under provincial jurisdiction to that afforded in the exclusively federal jurisdiction for Copyright.

The relationship is, to some extent, addressed in s. 89, *Copyright Act*, as follows:

“No person is entitled to copyright otherwise than under and in accordance with this Act or any other Act of Parliament, but nothing in this section shall be construed as abrogating any right or jurisdiction in respect of breach of trust or confidence.”

This provision was included in the Canadian consolidation with effect from January 1, 1924.¹³⁵ It was aimed primarily at abolishing common law copyright, which by then had been limited to unpublished works.¹³⁶ The reference to “breach of trust or confidence”, a matter of provincial jurisdiction, would appear to have been intended to remove any doubt with respect to the continuing availability of this cause of action. This may have been prudent because of the difficulty of differentiating in some 19th century English common law cases on “property” in literary products, the protection of form of expression (modern copyright) from the protection of content in the context of breach of confidence or even privacy.¹³⁷

In the present context, any initiative to provide non-copyright protection of databases, say through an unfair competition theory or trade secret analysis, especially if proceeding in provincial jurisdiction, must be appropriately differentiated from the copyright protection of selection and arrangement of databases or compilations, in order to avoid the demarcation and pre-emption difficulties that have had to be faced in the United States.

C. UNFAIR COMPETITION

¹³⁴ The matter of “preemption” in this context under United States constitutional law is analysed in depth in *Nimmer on Copyright*, S1.01 *et seq* (1998).

¹³⁵ *The Copyright Act, 1921*, S.C. 1921, 11-12 Geo. V., c. 24, s. 44.

¹³⁶ See *Donaldson v. Beckett* (1774), 4 Burr. 2408, 98 E.R. 257 (H.L.)

¹³⁷ For example see *Prince Albert v. Strange* (1849), 41 E.R. 1171 (Ch.) concerning the unauthorized publication of etchings made by Queen Victoria and Prince Albert. For a useful survey of some of these cases see H.J. Glasbeek, “Limitations on the Action of Confidence” in *Aspects of Privacy Law: Essays in Honour of John M. Sharp*, ed. D. Gibson, Butterworths, Toronto: 1980 p. 216, 244-247. See also *Caird v. Sime* (1887), 12 A.C. 326 (H.L.) and *Deeks v. Wells*, [1931] 4 D.L.R. 533 (Ont. App. Div.) *affd* [1933] 1 D.L.R. 353 (P.C.).

The pure “misappropriation” theory flowing in the United States from the seminal authority of *International News Service v. Associated Press*¹³⁸ before the United States Supreme Court in 1918, has little or no application in Canadian or British Commonwealth common law.

In the United States, the tort provides a remedy simply for an unconsented “taking” or misappropriation of a business value of another. It has, however, been criticized for its potential scope of application¹³⁹ and today is limited in application to factual situations that closely resemble those of *INS* itself. A description of these limitations was most recently noted by the

Third Circuit in *National Basketball Association v. Motorola, Inc.*¹⁴⁰ as:

“(i) the plaintiff generates or collects information at some cost or expense

...

“(ii) the value of the information is highly time-sensitive

...

“(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 in direct competition with a product or service offered by the plaintiff

...

“(v) the ability of other parties to free-ride on the efforts of the plaintiff would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened ... in effect to cut off the service by rendering the cost prohibitive in comparison with the return.”

This case, like *INS* itself, involved news - so called “hot news” - but the structure of application of the tort is the same for other categories of situations to which it relates.¹⁴¹

¹³⁸ *International News Service v. Associated Press*, 248 U.S. 215 (1918) (hereinafter “INS”). See also Callmann, “He Who Reaps Where He Has Not Sown: Unjust Enrichment in the Law of Unfair Competition” (1942), 55 Harv. L. Rev. p. 595.

¹³⁹ See e.g. *Jacobs v. Robitaille*, 406 F. Supp. 1145, 1151 (D.C.N.H. 1976), describing the cause as “the child of confusion having matured, become fertile and spawned a body of law that lacks in judicial definition and scope.”

¹⁴⁰ *National Basketball Association v. Motorola, Inc.* 105 F. 3d 841, 852 (2nd Cir. 1997). See also *Synercom Technology Inc. v. University Computing Co.*, 474 F. Supp. 37, 39 (N.D. Tex. 1979).

In the Commonwealth, apart from Canada, this tort has been rejected.¹⁴² Indeed, Harman J. in the English Chancery Division rejected the description “unfair competition” as follows:

“In my view, unfair competition is not a description of a wrong known to the law. Competition that causes some loss may also be unfair because it breaks existing legal rights [i.e. recognized specific torts] but competition which is effective, is not thereby unfair”¹⁴³

In other words, the situation must fall within the ambit of specific torts - such as “passing off” or “injurious falsehood” or other economic torts before it is remedial at law.

The *INS* tort has likewise not been adopted in Canada. The possibility was considered by Gibbs J. at trial in British Columbia in *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* in the following terms:

“the plaintiff urged that the court adopt what it called the tort of ‘misappropriation of quasi-property rights’ the genesis of which, it said was [INS] [the plaintiff was] unable to cite a single English or Canadian case in the 70 years since [INS] that has expressly recognized the tort, probably because the scope of tort relief available to a plaintiff in Canada is quite sufficient to cover the range of claims which come before the court.”¹⁴⁴

¹⁴¹ See McCarthy on *Trademarks and Unfair Competition*, 4th ed. 1996, S 1:3 *et. seq.* (policy rationale) and S. 10.51 (basic elements) and *Restatement (3d) Unfair Competition*, S. 38. See also Baird, “*Common Law Intellectual property and the Legacy of International News Service v. Associated press*”, 50 U. Chi. L. Rev. 411 (1983).

¹⁴² In Australia, see: *Victoria Park Racing and Recreation Grounds Company Limited v. Taylor* (1937), 58 C.L.R. 479 (H.C.A.); *Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd.* (1984), 56 A.L.R. 193, [1985] R.P.C. 219 (H.C.A.); and (in the Privy Council on appeal from N.S.W.) *Cadbury Schweppes Pty Ltd. v. Pub Squash Co. Pty Ltd.*, [1981] 1 W.L.R. 193 (P.C. 1980). In the United Kingdom see: *Harrods Limited v. Schwartz-Sackin & Co.*, [1986] F.S.R. 490 (Ch. 1985); *Swedac Limited v. Magnet & Southern*, [1989] 1 F.S.R. 243 (Ch. 1988); *Dow Jones & Company Inc. v. Ladbroke Ltd.* (1985) Unreported, Chancery No. 2433 (Whitford J.); and *Ciba Geigy v. Parke Davis & Co. Ltd.* (1993) Unreported, Chancery, Feb. 17, 1993 (Lindsay J.). In South Africa see *Lorimar Productions Inc. v. Stirling Clothing Manufacturers (Pty) Ltd.*, [1982] R.P.C. 395 (S.C. Sth Africa, 1981). In Hong Kong see *Shaw Brothers (Hong Kong) Ltd. v. Golden Harvest (H.K.) Ltd.*, [1972] R.P.C. 559 (H.K. Full Ct., 1971).

¹⁴³ *Swedac Limited v. Magnet & Southern*, *ibid.* at 149.

¹⁴⁴ *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1989), 26 C.P.R. (3d) 28, 48-49 (B.C.S.C.).

Gibbs J. then emphasized the policy balance between protection against competitive practices and the freedom to compete, noting the need for prudence “in this age of the active legislative branch where the community’s trade policies are under almost continuous review”.¹⁴⁵ The Court of Appeal affirmed, noting that it: “need not consider the question whether there exists in Canada a cause of action in tort for the misappropriation of a quasi-proprietary right”.¹⁴⁶ The proceeding concerned competition between two large supermarket chains and whether the expression “permanent discount” and the related marketing policy were the exclusive preserve of the plaintiff. The expression and policy were found to be descriptive without any secondary meaning or distinctiveness in the plaintiff. Therefore, on a regular passing off analysis the plaintiff was unsuccessful. Although not deciding the legal issue as to whatever an *INS* tort would be recognized, the Court of Appeal did decide that factually no such “quasi-property rights” could exist in the logo.¹⁴⁷

There is an earlier decision of the Court of Appeal of Manitoba that did create a “misappropriation” tort, not from any reference to *INS*, but independently and expressed as flowing from the residual common law theory of the “action on the case” as the historical vehicle for creating new torts. It is *Canada Safeway Ltd. v. Manitoba Food & Commercial Workers Local*.¹⁴⁸ An industrial dispute saw the employees’ union publishing a notice with the Canada Safeway Ltd. logo in a style to suggest that the notice originated from the company. The Court of Appeal found the situation to be outside of all existing categories of tort law and therefore created a new cause of action as described above. The decision has been criticized.¹⁴⁹ A similar issue, in similar circumstances, arose before the Federal Court Trial Division in *Canada Post Corp. v. C.U.P.W.*, but the court found that any such development would be a matter of common law or provincial jurisdiction.¹⁵⁰

Jurisdiction was also in issue when *INS* was referred to by Laskin C.J.C. (for a majority) in *MacDonald v. Vapor Canada Ltd.*¹⁵¹ The issue before the court was the meaning, scope and constitutionality of section 7(e) *Trade-mark Act* which provides:

“S. 7 No person shall

¹⁴⁵ *Ibid.* at 49.

¹⁴⁶ *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1990) 68 D.L.R. (4th) 481, 488 (B.C.C.A.).

¹⁴⁷ *Ibid.* at p. 488.

¹⁴⁸ *Canada Safeway Ltd. v. Manitoba Food & Commercial Workers Local* 832, (1983), 25 C.C.L.T. 1 (Man. Q.B. rev. Man. C.A.).

¹⁴⁹ See Vincent, “Everything You Want in a Tort – And a Little Bit More” (1983), 25 C.C.L.T. 10.

¹⁵⁰ *Canada Post Corporation v. C.U.P.W.* (1988), 20 C.I.P.R. 120 (F.C.T.D.).

¹⁵¹ *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134. The case concerned an allegation of misappropriation of confidential information. Laskin C.J.C. delivered the majority judgment and reasons. De Grandpré J. delivered a concurring judgment and reasons for the remainder of the Court.

(e) do any other act or adopt any other business practice contrary to honest industrial or commercial image.”

Laskin C.J.C. considered all of s. 7 (a)-(e) to amount to a federal legislative attempt to provide codified remedies in the nature certain common law causes. In the case of section 7(e) the provision would encompass: breach of confidence, industrial espionage and misappropriation in the nature of *INS*.¹⁵² As will be noted, the constitutionality of section 7 as a whole is limited and section 7(e) may be entirely unconstitutional as beyond federal legislative capacity.

Overall, the misappropriation theory of unfair competition from *INS* in the United States has not been adopted anywhere in the Commonwealth and has been expressly rejected in several Commonwealth jurisdictions. Canadian common law jurisdictions have not rejected the tort. The reference to *INS* by Laskin C.J.C. in *MacDonald v. Vapor Canada Ltd.* may provide a minimal recognition of a provincial jurisdiction to develop the tort. Furthermore, an acceptance or otherwise of the tort was left unanswered by the British Columbia Court of Appeal in *Westfair Foods*. Any potential for its application was rejected on the facts and context that presented in that case.

The theory is significantly limited even in the United States, essentially covering only situations where practically all creative effort has been contributed by a plaintiff, with the result being simply taken with no further effort by the defendant, and a consequent risk of depriving the plaintiff from receiving any return, thereby threatening the continued existence of the creative activity.

Apart from any potential of application of the *INS* principle, there is no existing “unfair competition” proceeding at common law that would provide protection for databases or compilations. The expression “unfair competition:” is not a term of art in Canadian or Commonwealth jurisprudence. To be remedial the allegedly unfair practice must fall within one of the established causes of action in tort.¹⁵³ None would provide effective protection of databases or compilations.¹⁵⁴ The principal category is the tort of passing off. It requires a misrepresentation by the defendant that the business or wares of the plaintiff are to some degree “associated” or “connected” with the defendant’s business or wares and services, with resulting public confusion.¹⁵⁵ This will not protect interests in databases against an unconsented taking *simpliciter*. A similar position also prevails under the *Quebec Civil Code*.¹⁵⁶

¹⁵² *Ibid.* at 149.

¹⁵³ This was essentially the dissenting reasons of Justice Brandeis in *INS*, *supra* note 138, at 248.

¹⁵⁴ In Canada and the Commonwealth the principal categories are the torts of passing off and injurious falsehood, although other so-called “economic torts” protecting economic relations and the preservation of competition might be included. These torts include intentional interference with contractual relations, intimidation and conspiracy. See McCarthy, *supra* note 141 at S 1:10 for an extensive list of situations that are brought beneath the umbrella of unfair competition in the United States.

Before leaving this discussion of unfair competition, mention should be made of developments in discrete contexts that do reflect a misappropriation analysis in common law unfair competition:

(a) There is now a substantial body of case law that recognizes the discrete tort styled “Appropriation of Personality”. The elements of this tort, today, have gone beyond any theory of misrepresentation and invoke a misappropriation theory for the protection of the marketing potential attaching to the persona of a celebrity figure whose name, likeness or image is usurped by another for the purpose of commercial gain.¹⁵⁷ The tort has been compared to the American “Right of Publicity” principle¹⁵⁸ which, in turn, has been described by the United States Supreme Court as a discrete limb of the broad misappropriation tort of *INS*,¹⁵⁹ and

(b) The common law passing off tort is dynamic, especially concerning extra-territorial business reputation or goodwill. Recent developments have redefined, modified and ameliorated the elements of the tort to ensure that extra-territorial reputation is protected within the domestic territory.¹⁶⁰ This process has brought the tort closer to a “misappropriation” mode in application, while preserving the form of the traditional elements of the tort.¹⁶¹

¹⁵⁵ See *Erven Warnink Besloten Vennootschap v. J. Townend & Sons (Hull) Ltd.*, [1979] A.C. 731, 742 (Lord Diplock) and 755-756 (Lord Fraser) (H.L.); *Consumers Distributing Co. Ltd. v. Seiko Time Canada Ltd.*, [1984] S.C.R. 583 (1984) 1 C.P.R. (3d) 1; and *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] S.C.R., 120, (1992), 44 C.P.R. (3d) 289.

¹⁵⁶ *Quebec Civil Code*, Article 1457 with effect from January 1, 1994. This provision was formerly Article 1053, *Civil Code of Lower Canada*. See e.g. *Banquet & Catering Supplies Rentals Ltd. v. Bench & Table Rental World Inc.* (1979), 52 C.P.R. (2d) 71 (Que. S.C.) and *Mackintosh Computer Ltd. v. Apple Canada Inc.* (1984), 9 C.P.R. (3d) 408 (Que. S.C.).

¹⁵⁷ The seminal authorities are *Krouse v. Chrysler Canada Ltd.*, [1972] 2 O.R. 133, (1971) 25 D.L.R. (3d) 49 (Ont. H.C.) rev (1973) 1 O.R. (2d) 225, 40 D.L.R. (3d) 15 (Ont. C.A.) and *Athans v. Can. Adventure Camps Ltd.* (1977), 17 O.R. (2d) 425 (Ont. H.C.). See Howell, “The Common Law Appropriation of Personality Tort” (1986), 2 I.P.J. 149 and Howell (translation by M. Goudreau) “Récents développements dans la commercialisation des personnages et les droits de la personnalité dans les juridictions de common law: Crocodile Dundee; Ninja Turtles et Ewoks” (1994), 1 Les Cahiers de Propriété Intellectuelle 231. Recent cases are *Gould Estate v. Stoddard Publishing Co.* (1996), 30 O.R. (3d) 520 (Ont. G.D.); *affd* on other grounds (1998) 80 C.P.R. (3d) 161 (Ont. C.A.); *Horton v. Tim Donut Limited*, [1997] 75 C.P.R. (3d) 451 (Ont. G.D.), *affd* No. C26845 (Ont. Ct. App.: Oct. 10, 1997); and *Shaw v. Berman* (1997), 72 C.P.R. (3d) 9 (Ont. G.D.). See also Potvin, “Protecting Against The Use of One’s Likeness in Quebec Civil Law, Canadian Common Law and Constitutional Law (Part 1) (1997), 11 I.P.J. 203; (Part 2), 12 I.P.J.

¹⁵⁸ *Krouse, ibid.* at 40 D.L.R. (3d) 23-24 and 31; and *Gould Estate, ibid.*

¹⁵⁹ See *Zacchini v. Scripps-Howard Broadcasting Co.* 433 U.S. 562, 572-573 (1977).

¹⁶⁰ See *Orkin Exterminating Co. v. Pestco Co. of Canada* (1985), 5 C.P.R. (3d) 433 (Ont. C.A.).

D. TRADE SECRET/CONFIDENTIAL INFORMATION

1. Common Law Provinces/Quebec Civil Code

A potential source of protection for databases and compilations is trade secret or breach of confidence proceedings in the common law provinces and the Civil Code in Quebec.¹⁶²

However, Professor Goudreau notes:

“Quebec jurisprudence [in the context of confidential information] is still greatly influenced by the common law. In practice, this means that the conditions under which ideas and secrets are protected in Quebec are very similar to those existing at common law”¹⁶³

Professor Goudreau correlates common law (or equity) and Quebec law as follows:

<u>Common Law or Equity</u>	<u>Quebec Civil Law</u>
1. Breach of confidence	1. Delict or quasi-delict
2. Fiduciary duty	2. Not expressly part of the Civil Code but provisions concerning the administration of property, agency, partnership, good faith and loyalty in employment “all allow the incorporation into Quebec civil law of norms of conduct imposed on fiduciaries at common law [although] found more often in contract” ¹⁶⁴

¹⁶¹ See *Walt Disney Productions v. Triple Five Corporation* (1994), 53 C.P.R. (3d) 129 (Alta. C.A.). Leave to appeal to S.C.C. denied (1994), S.C.C. Bulletin 1210.

¹⁶² *Quebec Civil Code*, Article 1457 with effect from January 1, 1994 - formerly Article 1053, *Civil Code of Lower Canada* concerning either a delict or quasi-delict.

¹⁶³ Mistrale Goudreau, “Protecting Ideas and Information in Common Law Canada and Quebec” (English translation, 1994, D. Vaver) (1994), 8 I.P.J. 189, 205.

¹⁶⁴ Goudreau, *ibid.* at 211. In particular, Goudreau lists several authorities applying in Quebec the Supreme Court of Canada decision in *Canadian Aero Service Ltd. v. O'Malley*, [1974] S.C.R. 592, (1973) 11 C.P.R. (2d) 206, (1993) 40 D.L.R. (3d) 371.

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|----------------------|---|
| 3. Unjust enrichment | 3. Quasi-contractual liability ¹⁶⁵ |
| 4. Property theory | 4. Property theory ¹⁶⁶ |

In addition, contract or obligation theories will provide some measure of protection. Overall Goudreau notes the perceived need for uniformity in this commercial context between Quebec and the common law jurisdictions in Canada and elsewhere, while at the same time preserving sufficient autonomy of the Civil Code in Quebec.¹⁶⁷ The most important and frequent influence

in Quebec decisions is the breach of confidence proceeding,¹⁶⁸ but Goudreau notes in Quebec it is: “unfair competition, which covers most cases of taking of secrets and ideas [with] industry custom and practice often serv[ing] as yardsticks by which to measure the unfairness of any conduct”¹⁶⁹

This is significant, as the link with “unfair competition” has not yet been made, at least to any significant extent, in common law jurisdictions. However, as will be developed, it is such a linkage that will enhance the proceeding of breach of confidence as a means to protect databases.

2. The Relevance of Breach of Confidence to Databases

The Supreme Court of Canada in *International Corona Resources Ltd. v. Lac Minerals Ltd.* released the remedy of constructive trust from the substantive jurisprudence in which it developed (fiduciary obligation and property) and found it to be available “as a remedy in appropriate circumstances”.¹⁷⁰ This “remedial flexibility” immediately avoided the pressure, in instances of confidence, to find a fiduciary obligation in order to obtain this remedy.¹⁷¹ It also lessened the need for the courts to reach some consensus as to an underlying theory - equitable

¹⁶⁵ Goudreau, *ibid.* at 211-212.

¹⁶⁶ *Ibid.* at 213-215.

¹⁶⁷ *Ibid.* at 205.

¹⁶⁸ *Ibid.*

¹⁶⁹ *Ibid.* at 204. Later (at 211-212) Goudreau expresses a potential conceptual difficulty of applying in Quebec the concept of “unjust enrichment” if “unfair competition” provides the theory for protection of information.

¹⁷⁰ *International Corona Resources Ltd. v. Lac Minerals Ltd.*, [1989] 2 S.C.R. 574, 61 D.L.R. (4th) 14, 50.

¹⁷¹ The fiduciary relationship imposes an obligation of confidence, but an obligation of confidence in itself does not result in a fiduciary relationship. In a context of employment and confidence, a fiduciary relationship will apply only to a director or senior officer or an otherwise “key” employee with a

relationship or property - for the breach of confidence proceeding, as the remedy of constructive trust was similarly released from the substantive need to establish the existence of “property”.¹⁷² The breach of confidence proceeding was consequently recognized as the primary vehicle of relief in this context without hindrance as to remedy or underlying theory.

The breach of confidence proceeding is important to this study for two principal reasons:

(a) A database or compilation may be protected as confidential information or a trade secret. The difficulty, however, is that most databases are designed to be accessed, often by the public, even if on payment of a fee. This will ordinarily mean, at least with respect to the subject matter or content of the database that it cannot possess the necessary “quality of confidence”. However, a database may present:

(i) sufficient secrecy or “quality of confidence” in a particular method of *selection* or *arrangement* of the database. This need not be “novel”, in a patent sense of that expression, but it would need to be not generally known.¹⁷³ In this sense the position would be similar to the *Feist* test for originality in copyright. Courts in the United States have protected computer programs as trade secrets on this basis;¹⁷⁴ and

(ii) a collection of subject matter known to the public, and therefore not secret, but nevertheless saving a subsequent compiler from going to the trouble of collecting the information independently. The later compiler has been given an advantage. This has been termed the “springboard principle” and has been described as remaining “even when all the features have been published or can be ascertained by actual inspection by any member of the

“substantial management function’ guiding the business affairs of the organization. See *Canadian Aero Services Ltd. v. O’Malley*, *supra*, note 164.

¹⁷² In addressing the issue of constructive trust in *Lac Minerals*, La Forest J. noted that the act of imposing the trust could “both recognize and create a right of property”. See *Lac Minerals*, *supra* note 135 at 61 D.L.R. (4th) 50. Likewise, there is no need to find a “special relationship” *ibid.* at 49-50.

¹⁷³ See *Promotivate International Inc. v. Toronto Star Newspaper Ltd.* (1985), 23 D.L.R. (4th) 196 (Ont. H.C.). Information will be widely known if a “substantial number” of the public are aware of it, even if this disclosure is limited to a particular industry. See *Stephens v. Avery*, [1988] F.S.R. 510, 516 (Ch. D.).

¹⁷⁴ The authorities are numerous. The area is, however, reported (and updated by pocket part supplementation) in Annotation, “Disclosure or Use of Computer Application Software as Misappropriation of Trade Secret”, 30 A.L.R. 4th 1250 and Annotation, “What is Computer ‘Trade Secret’ Under State Law”, 53 A.L.R. 4th 1046.

public”.¹⁷⁵ Similarly, the information may be only partially known to the public, but brought more fully into focus by additional non-public information.¹⁷⁶

(b) The situations noted in paragraph (a)(ii) above concerning the so-called “springboard principle” and where information or data is only partially secret or confidential, may allow the breach of confidence proceeding to evolve to a remedy against “unfair competition” by protecting against misappropriation of the business value in the exclusivity of information or data.

Considering first, the positions set out in paragraphs (a)(i) and (ii), a reasonable, but limited, measure of protection for databases, including the data, is established in favour of the compiler. The principal limiting features are:

(a) The need to predicate protection and liability upon the quality of secrecy or confidentiality, even when broadened to what has been described as “relative” secrecy; and

(b) The formulation of the proceeding that requires that the information be *imparted* by the holder (the confider) to another (the confidee or confidant) before a “relationship” of confidence is established. Essentially, this limits the scope of the proceeding to a breach by a person who has had the information imparted to him or her:

(i) In a contract stipulating non-disclosure of the information; or

(ii) In circumstances that reasonably imply an obligation of confidentiality.

This requirement is discussed more fully in the next section, accessing the potential of the proceeding to develop as set out in paragraph (b) above, but it essentially precludes from the proceeding any simple “taking” or misappropriation of the information or data in the absence of an antecedent relationship.

3. The Potential of Breach of Confidence to Provide Relief for Unfair Competition

When subject matter is known to the public or is only partially secret, an essential issue is whether the law is protecting “secrets” or confidential matters, or instead is providing relief for “unfair competition” - taking something that has been gathered by another or “reaping where one has not sown”. The categorization of trade secret infringement as unfair competition is

¹⁷⁵ *Terrapin Ltd. v. Builders’ Supply Co. (Hayes) Ltd.*, [1967] R.P.C. 349, 391 (Ch.). The passage was approved by the English Court of Appeal in *Seager v. Copydex Ltd.*, [1967] R.P.C. 349 (C.A.). See F. Gurry, *Breach of Confidence*, Clarendon Press, Oxford 1984 at 245-252. In Canada, this area is given detailed attention in *Sookman Computer Law: Acquiring and Protecting Information Technology* (B. Sookman, Carswell, Toronto, 1989-updated by looseleaf) at ch. 4.9(b).

¹⁷⁶ See e.g. *Lake Mechanical Systems Corporation v. Crandell Mechanical Systems Inc.* (1985), 7 C.P.R. (3d) 279, 284-287 (B.C.S.C.).

recognized in the United States. The expression “trade secret” was initially adopted and defined in the *Restatement of the Law of Torts*, s. 757 (1939). However, from 1993, trade secret protection has been incorporated in the new *Restatement of the Law, (3d) Unfair Competition*, s. 39 as part of the category “appropriation of trade values” of unfair competition. It is defined as:

“A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage”

The secrecy is essentially “relative”¹⁷⁷ rather than absolute, and the emphasis is upon:

“only secrecy sufficient to confer an actual or potential economic advantage on one who possesses the information”¹⁷⁸

Differences between “absolute” and “relative” secrecy is reflected in the type of remedy or measure of compensation. The *Restatement* provides for a measure of damages by way of a “standard of comparison”, including in circumstances:

“[w]hen it would have been possible for the defendant to acquire the trade secret by proper means such as reverse engineering or independent development.”¹⁷⁹

The measure of damages is the cost saved by using the appropriated trade secret.¹⁸⁰ This is essentially the “springboard” principle.

Is the breach of confidence proceeding in Canadian provinces likely to develop in the nature of an “unfair competition” proceeding as in the United States? In this context, the primary analogy is made between the United States and common law and equity in Canada. The position under the *Quebec Civil Code* has been seen as interpreted in relative conformity with the common law jurisdictions in Canada, analogizing particularly with the breach of confidence proceeding,¹⁸¹ but seeking to preserve sufficient autonomy.¹⁸² Interestingly, the proceedings under the *Quebec Civil Code* are already seen as presenting an “unfair competition” perspective.¹⁸³ This,

¹⁷⁷ The expression “relative” appears to have originated with Cross J. in *Franchi v. Franchi*, [1967] R.P.C. 149, 153 (Ch. D.). See Gurry, *supra*, note 175 at 249.

¹⁷⁸ *Restatement of the Law (3d) Unfair Competition*, (1995), s. 39, comment (f), p. 431. See also Sookman, *supra* note 175, explaining the duration of any injunctive relief as “only for long as is necessary to impose some compensating handicap to negate the unfair advantage the misappropriator would otherwise obtain by foregoing independent development”. (See Sookman, *ibid*, text accompanying Sookman’s reference note 574).

¹⁷⁹ *Restatement, ibid.* at s. 46, p. 517.

¹⁸⁰ *Ibid.*

however, is not likely to occur in the common law jurisdictions, in the absence of legislative direction, notwithstanding the finding of Lamer J. (now C.J.C.) in *Stewart*

that as between private individuals confidential information is protected because such information:

“is the product of labour, skill and expenditure, and its unauthorized use would undermine productive efforts which ought to be encouraged”¹⁸⁴

The Supreme Court of Canada in *Lac Minerals* has subsequently recognized the classic English formulation of the elements of breach of confidence as:

- (a) The information must have the quality of confidence;
- (b) The information must be imparted in circumstances in which an obligation of confidence arises; and
- (c) There must be an unauthorized use of the information to the detriment of the plaintiff [the Supreme Court of Canada expressed this element as involving the defendant “misusing” the information to the detriment of the plaintiff].¹⁸⁵

As noted earlier, the significant limitation is the apparent need for an antecedent relationship created by the “imparting” of the confidential information to the defendant. By way of contrast:

- (i) The American *Restatement*, s. 40 provides for the acquisition of the trade secret “by means that are improper” and s. 43 provides that:

“‘Improper’ means of acquiring another’s trade secret under the rule stated in s. 40 include theft, fraud, unauthorized interception of communications, inducement of or knowing participation in a breach of confidence, and other means either

¹⁸¹ See *supra* text accompanying note 168.

¹⁸² See *supra* text accompanying note 167.

¹⁸³ See *supra* text accompanying note 169. For a complete analysis of the position under the *Quebec Civil Code* see Goudreau, *supra* note 163.

¹⁸⁴ See *R. v. Stewart*, [1988] 1 S.C.R. 963, (1988), 50 D.L.R. (4th) 1. Future references are to the D.L.R. Report.

¹⁸⁵ See *Lac Minerals*, *supra* note 170 at 61 D.L.R. (4th) 22, 36, 46, 70 and 72-74. The classic English authorities are *Saltman Engineering Co. Ltd. v. Campbell Engineering Co. Ltd.* (1948), 65 R.P.C. 203 (Eng. C.A.); *Seager v. Copydex Ltd.*, [1967] R.P.C. 349 (Eng. C.A.); and *Coco v. AN Clark (Engineers) Ltd.*, [1969] R.P.C. 4 (Ch.).

wrongful in themselves or wrongful under the circumstances of the case. Independent discovery and analysis of publicly available products or information are not improper means of acquisition”;¹⁸⁶

(ii) The Law Commission Report in 1981 in the United Kingdom similarly recommended a test of “improperly acquired”.¹⁸⁷

A Federal and Provincial Working Party in 1986¹⁸⁸ did consider reform of trade secret law in Canada, but left this issue open.¹⁸⁹ Some uncertainty in this regard is attributable to the lack of a proprietary basis for trade secret protection in a civil context, the prevailing view supporting the matter proceeding as a matter of *relationship* between the parties as set out earlier.¹⁹⁰ However, even in the United States the precise theoretical basis for trade secret protection - property or relationship - is still open,¹⁹¹ but largely irrelevant given the terms of the Restatement focusing on an improper means of acquisition.¹⁹² This provision has encouraged some development of case law in the Commonwealth towards relief in this context for “misappropriation”.¹⁹³

¹⁸⁶ *Restatement of the Law, (3d) Unfair Competition*, Ch. 4, S. 43 at p. 493.

¹⁸⁷ See 1981, Report of the United Kingdom’s Law Commission, *Breach of Confidence* (Cmd. 8388).

¹⁸⁸ See *Report on Trade Secrets: Report No. 46, Institute of Law Research and Reform* (Edmonton, Alta.) A Federal and Provincial Working Party, July 1986. Subsequently (in 1988) a draft “Uniform Trade Secrets Act” was recommended by the Uniform Law Conference - see Proceedings of the 70th Annual Meeting of the Uniform Law Conference, Toronto, August 1988, p. 31.

¹⁸⁹ *Ibid.* at 67. The Report suggests that relief by way of “unjust enrichment” would be available whether information of a secret or confidential nature were imparted or simply “appropriated”. However, the juristic basis for establishing such relief in the absence of any recognition of a legal basis for protection of information, is in need of further analysis.

¹⁹⁰ See *supra* text accompanying note 185. With respect to the proprietary option, see Weinrib, “Information and Property” (1988), 38 U.T.L.J. 117.

¹⁹¹ See *Restatement of the Law, (3d) Unfair Competition*, Ch. 4, S. 39, comment b.

¹⁹² See *supra* text accompanying note 186. See also, *du Pont de Nemours & Company v. Christopher*, 431 F. 2d 1012 (5th Cir. 1970) involving “industrial espionage”.

¹⁹³ See *Franklin v. Giddins*, [1978] Qd. R. 72 (Queensland S.C.). See S. Ricketson, *The Law of Intellectual Property* (Melb. Aust. The Law Book Company Ltd., 1984) at paras. 43.26 to 43.32 and 45.24. See also Braithwaite, “The Secret of Life - A Fruity Trade Secret” (1979), 95 L.Q.R. 323-326. More recently see Stewart, “Apples and Espionage” [1997] N.Z.L.J. 213.

Article 39, TRIPs Agreement, would support, or even require, such a development by extending the need for protection beyond “disclosure” or “imparting” of “undisclosed information” to improper acquisition in “a manner contrary to honest commercial practices.” Article 39(1) and (2) is in the following terms:

“1. In the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.

“2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices (Footnote: For the purpose of this provision, “a manner contrary to honest commercial practices” shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.) so long as such information:

- (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- (b) has commercial value because it is secret; and
- (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

“3. Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.”¹⁹⁴

E. TRADE PRACTICES LEGISLATION

¹⁹⁴ Article 39, TRIPs Agreement, *supra* note 92. See also Stewart, *supra* note 184.

Provincial and Territorial legislation regulating “Trade Practices” has been examined to determine if any potential exists in such legislation for the proprietary protection of databases or compilations. In the result, only the legislation in Manitoba may present some potential.

Legislation, in the nature of regulating trade practices and described as such, exists in Alberta,¹⁹⁵ British Columbia,¹⁹⁶ Manitoba,¹⁹⁷ and Newfoundland.¹⁹⁸ Apart from Manitoba, the legislation is essentially in each instance in the nature of protecting consumers in their dealings with suppliers, including deceptive, misleading or inaccurate statements or representations; the subjection of undue pressure to enter into a consumer transaction; or a failure to disclose material facts. In this context related consumer protection legislation is provided in other provinces, including New Brunswick,¹⁹⁹ Nova Scotia,²⁰⁰ Ontario,²⁰¹ Prince Edward Island,²⁰² Quebec²⁰³ and Saskatchewan.²⁰⁴

In Manitoba, *The Trade Practices Inquiry Act* is also primarily consumer focused, but the following provisions may be sufficiently encompassing to have some, albeit remote, relevance to the creation, maintenance or protection of databases. Section 2(a)(iii) and (iv) create a cause of complaint (to the minister) for making “unfair or improper” charges for, *inter alia*, storing or dealing in “any article or product”. This may be relevant to databases, but is still essentially consumer focused - possibly protecting persons accessing databases. However, section 2(a)(viii) creates a cause of complaint with respect to persons:

¹⁹⁵ *Unfair Trade Practices Act*, R.S.A. 1980, c. U-3.

¹⁹⁶ *Trade Practice Act*, R.S.B.C. 1996, c. 457.

¹⁹⁷ *The Trade Practices Inquiry Act*, R.S.M. 1987, c. T110.

¹⁹⁸ *Trade Practices Act*, R.S.N. 1990, c. T-7.

¹⁹⁹ *Unconscionable Transactions Relief Act*, R.S.N.B. 1973, c. U-1.

²⁰⁰ *Consumer Protection Act*, R.S.N.S. 1989, c. 92 and *Consumer Protection Regulations*, N.S. Reg. 206/91.

²⁰¹ *Consumer Protection Act*, R.S.O. 1990, c. C.31; *Business Practices Act*, R.S.O. 1990, c. B.18.

²⁰² *Consumer Protection Act*, R.S. P.E.I. 1988, c. C-19.

²⁰³ *Consumer Protection Act*, R.S.Q., c. P. 40.1.

²⁰⁴ *Consumer Protection Act*, S.S. 1996, c. C-30.1.

“following or using unfair, detrimental or improper practices..”

It is possible that this might, on a literal interpretation, provide protection in the nature of relief against unfair competition for misappropriation of data. However, this would not likely have been the purpose of the legislation.

In the circumstances, there appears to be little scope in current provincial trade practices legislation to provide protection for compilers of databases or compilations.

F. CRIMINAL LAW²⁰⁵

1. Section 322(1): Theft

Databases or compilations will not be encompassed within this provision. The Supreme Court of Canada in *R. v. Stewart*²⁰⁶ rejected including the analogous “confidential information” within this provision (then section 283(1)). The accused in *Stewart* had been hired by a trade union seeking to organize the employees of a Toronto hotel. The hotel had barred union representatives from the premises and treated employees’ names, addresses and telephone numbers as confidential information. The accused offered a security guard at the hotel a fee to obtain the information. Charges of counselling theft (now section 322(1)) and fraud (now section 380(1)(a)) were laid.

The essential feature of both charges concerned the existence of “property”. At trial, Krever J. dismissed the charges, finding that confidential information was not property.²⁰⁷ A majority in the Ontario Court of Appeal reversed, finding the quality of “property” from an analogy drawn with common law or equity, dealing with civil liability for breach of confidence.²⁰⁸ The court left open whether “property”, as a theory could be employed in a civil liability context in breach of confidence, but ruled it did not exist for criminal law purposes, at least concerning the provisions under which the accused was charged. The principal reasons were:

(a) To constitute theft, there must be some form of “property” and the victim must be *deprived* of it. In *Stewart*, the court held that intangible information was not “property” (although the media on which the information is stored, such as paper or diskettes, can be) and

²⁰⁵ *Criminal Code*, R.S.C. 1985, c. C.-46 as am.

²⁰⁶ *R. v. Stewart*, *supra* note 184.

²⁰⁷ See *R. v. Stewart* (1982), 138 D.L.R. (3d) 73 (Ont. H.C.). A similar conclusion was reached in Alberta. See *R. v. Offley* (1986), 28 C.C.C. (3d) 1, 11 C.P.R. (3d) 231 (Alta. C.A.).

²⁰⁸ See *R. v. Stewart* (1983), 149 D.L.R. (3d) 583 (Ont. C.A.).

that copying information does not “deprive” the victim, since he or she still has the use of it;²⁰⁹ and

(b) Different policy considerations apply between civil obligations (a balancing of interests) and criminal sanctions imposed by the state. The latter more directly take account of the interests of society as a whole from the availability and free flow of information.²¹⁰

The analysis in *Stewart* will apply equally to database information. A deprivation of the *exclusive use* or the *confidentiality* of information or data does not meet the requirements necessary to constitute theft;

2. **Section 326(1)(b): Theft of Telecommunication Service**

The convergence of media of telecommunications with that of the computer industry, evidenced principally in the medium of the Internet, may bring renewed potential to this provision to provide protection of databases.

Section 326(1)(b) provides:

“Every one commits theft who fraudulently, maliciously, or without colour of right,
(b) uses any telecommunication facility or obtains any telecommunication service.”

Section 326(2) defines “telecommunication”, for the purpose of sections 326 and 327, as:
“‘telecommunication’ means any transmission, emission or reception of signs, signals, writing, images or sounds or intelligence of any nature by wire, radio, visual, or other electro-magnetic system”

A database accessed electronically would, literally, be encompassed within this provision. This may be of particular significance with respect to Internet connections to databases. The meaning of “telecommunication facility” and “telecommunication” was considered by the Supreme Court of Canada in *R. v. McLaughlin*.²¹¹ This case involved the central computing service of the University of Alberta. It contained confidential information. A student used a

²⁰⁹ See *R. v. Stewart*, *supra* note 184 at pp. 13-14. See s. 322(1)(a), *Criminal Code*, stipulating the element of intent as being “to deprive temporarily or absolutely, the owner ... of the thing or of his property or interest in it”. See also Whan “Computer Crime and *R. v. McLaughlin*” (1981), 18 C.R. (3d) 360, 357-361 writing before the *Stewart* case and providing a comparative analysis with related material in the United States at that time.

²¹⁰ *Ibid.* at 12.

²¹¹ *R. v. McLaughlin* (1980), 18 C.R. (3d) 339 (S.C.C.). The provision at the time was s. 287(1)(b).

computer terminal on campus to access the central unit. The student was charged under this section. He was convicted at trial, but acquitted by the Alberta Court of Appeal. The appeal by the Crown to the Supreme Court of Canada was dismissed. The essential points were:

(a) The computer unit being used by the accused was not in itself a “telecommunication facility” “or other electro-magnetic system”, thereby precluding the first limb of section 326(1)(b). The unit was simply a device for making calculations or data processing;²¹² and

(b) The connection was entirely within an “internal” system of the university, even though it involved some 300 terminal outlets. It was, therefore, not a telecommunication system.²¹³

From today’s perspective of distant, independent and public Internet communications to databases, neither of the above elements, essential to the result in that case, may be relevant. Importantly, the court noted:

(a) The history of section 326(1)(b) “connotes ... that what is aimed at [is] the theft of information from a facility through which it is channelled”;²¹⁴ and

(b) A computer, though not a “telecommunication facility” in itself, “might be employed to activate a telecommunication facility²¹⁵ because “the distinction must be emphasized between an activating device connected to a telecommunication facility and the facility itself”²¹⁶

These criteria are entirely consistent with an “external” or Internet connection to a database being within the intent of the section as found by the court. However, there is an additional factor noted expressly in the concurring judgment of Estey J.:

²¹² *Ibid.* at 345 (Laskin C.J.C. for majority); 348 (Estey J. concurring; Ritchie J. agreeing).

²¹³ *Ibid.*, Laskin C.J.C. noting: “there was no reception by other facilities nor emissions from this facility”; and Estey J. considering an essential characteristic to be: “the delivery from an origination point to a reception point. It does not connote a conceptual transfer of something with neither sender nor receiver” and (at 349) “The term ‘telecommunication’, as defined in the Criminal Code, connotes a sender and a receiver.” In the instant before the court, the accused was “communicat[ing] with himself” (*ibid.*).

²¹⁴ *Ibid.* at 345 (Laskin C.J.C.).

²¹⁵ *Ibid.* at 347 (Estey J.).

²¹⁶ *Ibid.* at 348 (Estey J.). An observation was made that a pocket calculator or a digital watch, involving electrical impulses, would not be a “telecommunication facility” but that “either one could be connected to a telecommunication facility for the communication of signals to it for ‘transmission or ... reception’” (*ibid.*). See Whan, *supra* note 209 at 356, noting *R. v. Linton*, [1978] 5 W.W.R. 170 (Sask. Mag. Ct.) finding an external linkage of a telephone to a central office to be a “telecommunication service”.

“The computer, being a computing device, contemplates the participation of one entity only, namely, the operator. In a sense, he communicates with himself”²¹⁷

With an Internet access to a database, is there only one entity - the operator or accessor - or can there be said to be a transmitter and a sender? This issue concerns the nature of the Internet. It is relevant in many contexts, for instance, by uploading a work or including it in a website database, can the provider be said to be “communicat[ing] the work to the public by telecommunication” (s. 3(1)(f), *Copyright Act*) merely upon a user accessing the website?²¹⁸

Perhaps, in the context of section 326(1)(b), *Criminal Code*, this may not be necessary to answer if the focus is not upon any need for “two operators”, but simply upon:

- (a) “the transmission of information from one point or one person to another point or person”;²¹⁹ or
- (b) the broader proposition by Laskin C.J.C. (for the majority) that there need be merely a transmission received beyond the facility itself, reflected in the comment:

“Although there was transmission of intelligence from one part of the facility to another, there was no *reception* by other facilities nor emissions from this facility”²²⁰ (emphasis added)

Overall, there would appear to be considerable potential for an application of section 326(1)(b) to Internet access to databases. Certainly, the conceptual and analytical linkages between this section and the medium are sufficient. However, there is no doubt that the provision contemplated primarily television and radio transmissions. Therefore, the result may depend on the extent to which a court will recognize, and give effect within the section, to the convergence of media of telecommunications and that of the computer industry media through the vehicle of digitization.

²¹⁷ *Ibid.* at 349.

²¹⁸ “Copyright and the Information Highway”, Final Report of the Copyright Sub-Committee, Information Highway Advisory Council Secretariat, Ottawa (March, 1995) at pp. 10-11 and “The Cyberspace is Not a ‘No Law Land’: A Study of the Issues of Liability for Content Circulating on the Internet”, A Report Prepared for Industry Canada (M. Racicot, M.S. Hayes, A.R. Szibbo, P. Trudel) (February 1997) at pp. 214-222. (Published by Industry Canada – ISBN: 0-662-25489-9. See <http://strategis.ic.gc.ca/nme> (in English) and <http://strategis.ic.gc.ca/nmd> (in French)).

²¹⁹ *R. v. McLaughlin*, *supra* note 211 at 349 (Estey J.).

²²⁰ *Ibid.* at 345 (Laskin C.J.C.).

3. Section 327(1): Possession of Device to Obtain Telecommunication Facility or Service

Section 327(1) should be read together with section 326(1)(b). It refers to possession manufacture, sale or distribution equipment “primarily useful for obtaining the use of any telecommunication facility or service, under circumstances that give rise to a reasonable inference that the device has been used or is or was intended to be used to obtain [such service] without payment of a lawful charge.” It is considered that any lawful excuse for such possession or dealing with equipment will be sufficient to avoid this section.²²¹

4. Section 342.1: Unauthorized Use of Computer

Note has been made earlier that “datafiles” (at least “to the extent of their design and structure”) have been held to be within the meaning of “software” - and therefore will likely constitute “computer programs” within section 2 of the *Copyright Act*.²²² Likewise, datafiles or databases may be included within the meaning of “computer service”²²³ in section 342.1(2) of the *Criminal Code*. The database itself, at least in its organization, selection and arrangement, may likewise be a “computer system”²²⁴ and a “computer program”²²⁵ within section 342.1(2). This

may allow some measure of protection to databases through:

- (a) *Section 342.1(1)(a)* concerning:

“Every one who, fraudulently and without colour of right,

²²¹ See Tremear’s *Criminal Code*, 1998 (Annotated), ed. Watt and Fuerst, Carswell, Scarborough, Ont: 1997 at p. 545. See *R. v. Duck* (1985), 21 C.C.C. (3d) 529 (Ont. Dist. Ct.) finding a computer or diskette to constitute a “device” designed to fraudulently obtain telecommunications services when loaded with appropriate software.

²²² See *GEACJ&E Systems Ltd. v. Craig Erickson Systems Inc.*, *supra* notes 103 and 104.

²²³ The expression “computer service” is defined as: “‘computer service’ includes data processing and the storage or retrieval of data”.

²²⁴ The expression “computer system” is defined as “‘computer system’ means a device that, or a group of interconnected or related devices one or more of which, (a) contains computer programs or other data, and (b) pursuant to computer programs, (i) performs logic and control, and (ii) may perform any other function.”

²²⁵ The expression “computer program” is defined as “‘computer program’ means data representing instructions or statements that, when executed in a computer system, causes the computer system to perform a function”.

(a) obtains, directly or indirectly, any computer service.”

The expression “computer service” includes “data processing and the *storage and retrieval* of data” (emphasis added). This may include both the database (i.e. the selection and arrangement of the data) as well as the data itself; and

(b) *Section 342.1(1)(b)* concerning:

“Every one who, fraudulently and without colour of right

(b) by means of an electro-magnetic, acoustic, mechanical or other device, intercepts or causes to be intercepted, directly or indirectly, any function of a computer system.”

The reference to “any function of a computer system” together with the definition of “computer system” (being focused on the performance of *logic and control*, together with the potential of performance of any other function) may limit this provision to the database in its functions of selection and arrangement, but not the data itself. This, however, remains for interpretation. In addition, the expression “intercept” will likely require an obtaining or copying of a communication while that communication is between its source and destination. This could include a communication between two computers or databases or between a person and a database. The focus is upon an intervention by a third party. A fraudulent or unauthorized downloading from a database would not, therefore, constitute an “interception” by the person downloading as the communication was intended (albeit through fraudulent or unauthorized accessing) for that person.²²⁶

Section 342.1(1)(c) and (d) provide ancillary coverage including: using or causing to be used a computer system with intent to commit an offence under 342.1(1)(a) and (b); and using, possessing or trafficking in, or permitting access in others to, a “computer password” that will enable a person to commit an offence under section 342.1 (a), (b) or (c). The section does not appear to have been judicially interpreted to date.

5. **Section 430(1.1): Mischief in Relation to Data**

This section provides:

“Everyone commits ‘mischief’ who wilfully

(a) destroys or alters data;

²²⁶ The expression “intercept” in s. 342.1 is defined in para. 342.1(2) as “‘intercept’ includes listen to or record a function of a computer system, or acquire the substance, meaning or purport thereof”. C.f. the definition of “intercept” in s. 183. Section 324.1(1)(b), addressed specifically to the interception of communications between computers and between persons and computers, avoids the difficulties of applying the general “interception of communications” provisions (s. 184(1)) to the present context. the latter provision has been interpreted to require a number of elements, including that the communication be a private communication between persons.

- (b) renders data meaningless, useless or ineffective;
- (c) obstructs, interrupts or interferes with the lawful use of data; or
- (d) obstructs, interrupts or interferes with any person in the lawful use of data or denies access to data to any person who is entitled to access thereto.”

The expression “data” is defined, for the purpose of this section,²²⁷ in section 342.1(2) as:

“‘data’ means representations of information or of concepts that are being prepared or have been prepared in a form suitable for use in a computer system.”

6. Criminal Remedies in Copyright Act

Section 42(1) and (2), *Copyright Act*, establish remedies for the infringement in the stipulated circumstances of “works” protected by copyright. As the “work” in a “compilation” is the selection and arrangement of the subject matter, only these elements will be protected under these provisions. The data itself is not included.

G. SECTION 7, TRADE-MARKS ACT/CONSTITUTIONAL ISSUES

Any initiative to provide a misappropriation, unfair competition or sui *generis* remedy would need to be within an appropriate constitutional jurisdiction. Federal jurisdiction is expressly provided for copyright and patent protection.²²⁸ Likewise, registered trademark and industrial design are within the federal trade and commerce jurisdiction.²²⁹ Proceedings at common law and equity in the nature of unfair competition and the protection of confidential information are provincial jurisdictions. In Quebec these matters are likewise within the *Quebec Civil Code*.²³⁰ Constitutional jurisdiction with respect to unfair competition has been addressed principally in the context of section 7, *Trade-marks Act*.

²²⁷ See s. 430(8), *Criminal Code*.

²²⁸ *Constitution Act, 1867* (U.K., 30 & 31 Vict. c. 3, s. 91(23) (Copyrights) and 91(22) (Patents of Invention and Discovery).

²²⁹ See *A.G. Ontario v. A.G. Canada*, [1937] 1 D.L.R. 702, [1937] A.C. 405 (P.C.) and *Macdonald v. Vapor Canada Ltd.*, *supra* note 112 at 158-160 (re trademarks) and 165-166 (re industrial designs). In *Pipeline Displays & Fixtures Inc., v. Produits Metalliques J.P. Ltd.* (1987), 17 C.P.R. (3d) 252, 253 (F.C.T.D.) the constitutionality of the *Industrial Design Act*, R.S.C. 1985, c. 19 was challenged as *ultra vires* but the issue was not dealt with by the court.

²³⁰ *Quebec Civil Code*, Article 1457 (formerly Article 1053 of the *Civil Code of Lower Canada*).

The *Trade-marks Act* itself has been entitled as such since 1953.²³¹ Before that time it was named the *Unfair Competition Act*.²³² The Federal Court of Appeal in *Asbjorn Horgard A/S v. Gibbs/Nortax Industries Ltd.*²³³ referred to the historical linkage in Canadian federal trademark legislation between registered trademarks and proceedings at common law or under the civil code for passing off, with the following comment:

“The Canadian Act ... has traditionally been concerned with the protection of unregistered as well as registered trade marks.”²³⁴

This linkage between statutory and non-statutory procedures within a broad unfair competition scenario has been expressly limited to a context of indicia that will constitute a “trademark.”²³⁵ It has helped parts of federally enacted section 7, *Trademark Act* to be held to be constitutionally valid, notwithstanding that the provision is outside of the national system of registration. In particular, section 7(a) and (b) have been applied in purely tortious contexts with little, if any, linkage with federal regulatory jurisdictions.²³⁶ The involvement of a “trademark” (as opposed to non-trademark indicia) is seemingly sufficient in the light of the intertwined history of registered trademark and passing off proceedings.²³⁷ While this interpretation was not explicitly included in the seminal decision and reasons of the Supreme Court of Canada in *MacDonald v. Vapor Canada Ltd.*,²³⁸ Laskin C.J.C. did refer to the absence in that case of linkages with various federal

²³¹ *Trade-marks Act*, 1953, S.C. 1952-53, 1-2 Eliz. II, c. 49.

²³² *Unfair Competition Act*, S.C. 1932, c. 38.

²³³ *Asbjorn Horgard A/S v. Gibbs/Nortax Industries Ltd.* (1987) 14 C.P.R. (3d) 314 (F.C.A.).

²³⁴ *Ibid.* at 328. MacGuigan J., for the Court, added that the purpose of registration is “to provide additional benefits over and above those available at common law.” This certainly reflects the close historical and current relationship between registered and unregistered trademark protection in Canada and the Commonwealth. MacGuigan J. continued by drawing an analogy with copyright, but in this respect the exclusive federal and statutory jurisdiction in copyright is expressly stipulated in section 91(23), *Constitution Act, 1867* (U.K.) and section 89, *Copyright Act*, R.S.C. 1985, c. C.42 *as am.* S.C. 1997, c. 24, s. 50. (At the time of *Asbjorn Horgard* this provision was section 63).

²³⁵ See *Dumont Vins & Spiritueux Inc. v. Celliers du Monde Inc.* (1992), 42 C.P.R. (3d) 197, 209-211 (F.C.A.).

²³⁶ See e.g. *S&S Industries Ltd. v. Rowell*, [1966] S.C.R. 419; *Asbjorn Horgard*, *supra* note 227 at 324-328 (citing numerous cases) and *Westfair Foods*, *supra* notes 144 and 146.

²³⁷ See *Dumont Vins*, *supra* note 235 and accompanying text.

²³⁸ *MacDonald v. Vapor Canada Ltd.*, *supra* note 151 at 172-173. See *supra* note 234 concerning the matter of unregistered trademarks being covered by section 7.

categories of jurisdictions and included reference to an absence of a linkage to “any tortious dealing” with such areas.

Although only section 7(e) was under consideration in the *MacDonald v. Vapor Canada Ltd.* case, the majority reasons of Laskin C.J.C. cast doubt upon the constitutional validity of all of section 7 as being a codification of common law tort or civil law *delict* and, as such, presenting matters of provincial jurisdiction. The concurring judgment of de Grandpre J. (for Martland and Judson JJ.) was limited to the context of section 7(e).

Crucial passages in the judgment of Laskin C.J.C. are:

“Overall, whether s. 7(e) be taken alone or, more properly, as part of a limited scheme reflected by s. 7 as a whole, the net result is that the Parliament of Canada has, by statute, either overlaid or extended known civil causes of action, cognizable in the provincial courts and reflecting issues falling within provincial legislative competence.”

Laskin C.J.C. then noted the absence of any regulatory administration to “oversee the prescriptions of s. 7” and therefore could not:

“find any basis in federal power to sustain the unqualified validity of s. 7 as a whole or s. 7(e) taken alone.”²³⁹

The reference to the “unqualified” validity of section 7 not being sustainable, leads to the determination of the manner and circumstances in which the provision is sustainable. This is given in a later passage where, after finding the section to be invalid when standing alone, Laskin C.J.C. decided:

“Section 7 is, however, nourished for federal legislative purposes in so far as it may be said to round out regulatory schemes prescribed by Parliament in the

exercise of its legislative power in relation to patents, copyright, trademarks and trade names.”²⁴⁰

²³⁹ *Ibid.*, at 156. Although seeking the presence of some regulatory oversight, Laskin C.J.C. was careful to qualify the position by noting that he was not “coming to any conclusion on whether such an administration would in itself be either sufficient or necessary to effect a change in constitutional result”. See also, *ibid.* at 172: “The position which I reach in this case is this. Neither s. 7 as a whole, nor section 7(e), if either stood alone ... would be valid federal legislation in relation to the regulation of trade and commerce or in relation to any other head of federal legislative authority.”

²⁴⁰ *Ibid.* at 172. It is in this context that use of section 7 when involving a “trademark” might be valid, even if the proceeding is concerned exclusively with an unregistered trademark. Historical development in general and Canadian statutory links between registered and unregistered trademarks, might establish this as a “rounding out” situation. Alternatively, this may be said to be making too broad a linkage and it may

For the purposes of this Legal Study of Databases, the analysis in *MacDonald v. Vapor Canada Ltd.* is important because:

(a) As has been noted, Laskin C.J.C. expressly found section 7(e) to encompass a proceeding in the nature of the American misappropriation of business value tort from *INS*,²⁴¹ a proceeding which has potential, from a conceptual perspective, to provide non-copyright protection for data or other contents of a compilation. From a federal perspective, the validity of section 7(e) must therefore be considered; and

(b) More significantly, the analysis provides a perspective on the scope and potential of a federal constitutional jurisdiction with respect to *sui generis* protection of databases.

The prospect of section 7(e) itself being available is very remote. Some authorities have found this provision to be unconstitutional in itself.²⁴² While this was not expressly the position

of Laskin C.J.C. in *MacDonald v. Vapor Canada Ltd.*, it may have been implicit in his conclusion:

“The subparagraphs of s. 7, if limited [to round out regulatory schemes prescribed by Parliament] would be sustainable, and, certainly, if s. 7(e) whose validity is alone in question here, could be so limited, I would be prepared to uphold it to that extent. I am of opinion, however ... that there is no subject matter left for s. 7(e) in relation to patents, copyright, trade marks and trade names when once these heads of legislative power are given an effect under the preceding subparagraphs

be that, for example, a section 7(b) “passing off” proceeding can be brought only if ancillary or pendant to a statutory trademark proceeding. For instance, Laskin C.J.C. explained the earlier decision of the court in *S & S Industries*, *supra* note 236, involving s. 7(a) (in the nature of common law injurious falsehood), as being “in the context of a patent issue, and hence in respect of a matter on which Parliament is expressly authorized to legislate” *ibid.* at 156. The Federal Court of Appeal has, however, accepted the broader perspective. See *supra* text accompanying notes 237 and 238.

²⁴¹ *Ibid.* at 149. See *supra* text accompanying note 151.

²⁴² See e.g. *Motel 6, Inc. v. No. 6 Motel Ltd.* (1981), 56 C.P.R. (2d) 44, 66 (F.C.T.D.); and *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1986), 9 C.P.R. (3d) 341, 353-354 (F.C.T.D.). These Trial Division decisions were directly concerned with the constitutionality of section 7(b) and found even that provision to be *ultra vires* the federal Parliament. However, as noted earlier (see *supra* notes 233 to 238 and accompanying text) the Federal Court of Appeal has found section 7(b) to be valid in the circumstances described earlier. In *Asbjorn Horgard* the Federal Court of Appeal, when reversing the Trial Division with respect to section 7(b), commented: “After the *MacDonald* decision it might be hard to argue that s-s 7(e) had any constitutional validity” (see *supra* note 233 at 323). Subsequently, the Federal Court of Appeal in *Dumont Vins* commented (*supra* note 235 at 209): “In [*MacDonald*] the Supreme Court of Canada came to the conclusion that s. 7(e) was unconstitutional.”

of s. 7. In any event, in the present case the facts do not bring into issue any question of patent, copyright or trade mark infringement or any tortious dealing with such matters or with trade names.”²⁴³

This leaves no realistic potential for section 7 to contribute to the protection of databases. Possibly, some reliance might be placed on the historical linkage between copyright and the protection afforded compilations through “sweat of the brow” to connect the federal copyright jurisdiction to unfair competition in a manner similar to that accepted by the Federal Court of Appeal concerning unregistered trademarks,²⁴⁴ but this is unlikely to succeed as any such action would still be in the nature of misappropriation and, therefore, not within subsections (a) to (d) of section 7. It would be possible only if section 7(e) could be invoked and linked with the federal copyright jurisdiction.²⁴⁵

With respect to the second and broader question of the constitutional jurisdiction for a federal “unfair competition” or tortious misappropriation initiative, *MacDonald v. Vapor Canada Ltd.* would preclude this on a “stand alone” basis. This was expressly acknowledged in a different context by the Federal Court (Trial Division) in *Canada Post Corp. v. C.U.P.W.*²⁴⁶

However, if a perspective broader than merely “unfair competition” or other regular tortious relief is taken of this matter, a federal constitutional jurisdiction would likely be established. For example, a specific *sui generis* federal initiative, comparable to the *Plant*

*Breeders’ Rights Act*²⁴⁷ and the *Integrated Circuit Topography Act*, would, it is suggested, be constitutionally valid.²⁴⁸ Both of these enactments respond to multi-lateral or bilateral international accords; provide a system of national registration and administration; and provide systems that afford national treatment or reciprocity between countries within the framework of the international accords. These elements go well beyond any attempt to merely establish a federal legislative tort in the nature of misappropriation or unfair competition. The presence of all or (with lesser certainty) some of these factors for any *sui generis* federal remedy respecting

²⁴³ *MacDonald v. Vapor Canada Ltd.*, *supra* note 151 at 172-173.

²⁴⁴ See *supra* note 234 and text accompanying notes 237 and 238.

²⁴⁵ Authorities that have found some limited constitutional validity remaining in section 7(e), have stated that the circumstances clearly and strictly be linked with the preceding paragraphs (a) to (d) in section 7 or some breach of other federal intellectual property. See *McCabe v. Yamamoto & Co. (America) Inc.* (1989), 23 C.P.R. (3d) 498, 506-508 (F.C.T.D.) and *546401 Ontario Ltd. v. Hollander* (1989), 24 C.P.R. (3d) 408, 409 (F.C.T.D.).

²⁴⁶ See *Canada Post Corp. v. C.U.P.W.*, *supra* note 150 and accompanying text.

²⁴⁷ *Plant Breeders’ Rights Act*, S.C. 1990, c. 20 as amended.

²⁴⁸ *Integrated Circuit Topography Act*, S.C. 1990, c. 37 as amended.

databases will avoid the effect of *MacDonald v. Vapor Canada Ltd.* Relevant constitutional jurisdictions would include the “Regulation of Trade and Commerce”²⁴⁹ or “implementation of a Canadian international obligation” under the “Peace, Order, and good Government of Canada” in section 91.²⁵⁰ The requisite linkage to international trade would be met. Hogg, in considering the affirmative availability of federal jurisdiction in such a context notes:

“The fact that the prohibited practice [i.e. the prohibition in the federal legislation] was the subject of reciprocal obligations in an international treaty designed to reduce barriers to trade would be powerful (though not conclusive) evidence that the federal law was indeed in relation to international trade.”²⁵¹

H. SUMMATION AND CONCLUSIONS (PART A):

Part I of this study has examined the extent of existing legal protection for databases in Canada. The discussion has necessarily included comparative material from other jurisdictions, in particular, the United States. More detailed attention is given in Part II to the position in the United States.

1. Federal Sources

1.1 Copyright Law

(a) The principal existing means of protecting databases or other compilations is copyright law. The 1991 decision of the United States Supreme Court in *Feist* has caused uncertainty in Canada as to whether the reasoning and analysis in that decision should be applied in Canada. The conceptual distinction between the *Feist* position and what is seen as the traditional Canadian and Commonwealth position, is between the requirement of a minimal level of “creativity” and the sufficiency of “sweat of the brow”. Only the most routine, mechanical or ordinary methods of selection are excluded under *Feist*. This is acknowledged in *Feist* and by the United States Copyright Office. From a Canadian perspective, until *Tele-Direct* in 1996/1997, no focused attention had been given to the matter as one of choice between these options. However, the classic English case of *Walter v. Lane* in 1900 presented three of five members (one in dissent) of the House of Lords speaking of qualitative elements in the test for copyrightability. Also the literal tests applied in Canada are encompassing of both quality and quantity. In the United States constitutional requirements encourage the inclusion of a qualitative factor. No similar constitutional requirements exist in Canada.

²⁴⁹ *Constitution Act 1867* (U.K.), s. 91(2).

²⁵⁰ *Constitution Act 1867* (U.K.), s. 91.

²⁵¹ See P.W. Hogg, *Constitutional Law of Canada*, Loose-leaf Edition (Carswell, Scarborough, Ont. 1992 – amnd to 1997) at s. 11.5, p. 11-16.

While the difference between the two approaches has been seen as a matter of degree and somewhat minimal from the perspective of legal conceptual analysis, the consequences may be substantial from an economic or commercial perspective in the particular instances that fail to gain protection under the higher standard.

The refusal, in May 1998, of leave to appeal to the Supreme Court of Canada in *Tele-Direct*, leaves the judgment of the Federal Court of Appeal as the applicable authority in Canada concerning copyright protection of compilations. The Court of Appeal interpreted the inclusion of the expression “compilation” and its definition in s. 2, *Copyright Act* with effect from January 1, 1994 by the legislation implementing the North American Free Trade Agreement, as adopting in Canada the test in *Feist* with respect to compilations.

(b) A focus on the preceding formulations tends to overlook the more important aspects of *Feist*. In that case the United States Supreme Court re-directed attention to:

- (i) The need to establish “copyrightability” in the compilation alleged to be infringed;
- (ii) The need, when establishing “copyrightability”, to require an “original” contribution of the compiler – in a compilation this must be found in the *selection* and *arrangement* of the data or subject matter. The compiler makes no original contribution to the data or subject matter itself. It is either subject to copyright in a third party or is not copyrightable in itself. It is this enquiry that the tests of “sweat of the brow” or minimal level of creativity is applied with the consequences noted in paragraph (a) above; and
- (iii) There could be mixed views as to what is protectable, e.g., against unauthorized reproduction, considering that data and facts are by themselves not protectable. On the one hand, the compilation would be protected as a work, where the selection and arrangement have met the required originality test; on the other hand, the sole elements of selection and arrangement present in the compilation would be protected without the data and facts. In the case of a compilation being protected as a work, too strong a similarity with data and facts of a protected compilation, separately or together with a similarity with its selection and arrangement elements, could be used to demonstrate that an unauthorized reproduction of that work would have occurred. In the case of copyright only protecting the selection and arrangement and not the data and facts, a “similarity” test would not be applicable, except for the selection and arrangement elements.

The approach of seeking copyrightability and limiting infringement only to those portions that are copyrightable is consistent with the current approach of “abstraction-filtration-comparison” to determine whether there has been non-literal copying of a computer software program. The approach is being taken by U.S. federal circuit Courts of Appeals and beginning to find acceptance in Canada. The analysis in that context draws comparatively upon the principles and reasoning in *Feist*.

(c) The approach of seeking “copyrightability”, is not alien to Canadian jurisprudence concerning compilations, for example, it was substantially the analysis in British Columbia in *Slumber-Magic* and in Quebec in *Éditions Hurtubise*.

(d) The focus on copyrightability avoids the possibility of considering merely relative effort between the parties and therefore avoids imposing an “unfair competition” response in the guise of copyright.

(e) The Federal Court of Appeal in *Tele-Direct* (the Supreme Court of Canada dismissed an application for leave to appeal) found consistence between the approach in *Feist* and the NAFTA Amendments with effect from January 1, 1994 to the Canadian *Copyright Act* defining “compilation” in a manner similar to that in the 1976 U.S. *Copyright Act*.

(f) Further consistency can be found between both the 1994 statutory definition of “compilation” and:

- (i) Article 10(2) of the TRIPs Agreement which also expressly stipulates that copyright protection “shall not extend to the data or material itself”; and
- (ii) Article 3 of the European Database Directive (discussed in Part B of this Study).

Indeed, Article 3(1) of the Directive limits copyright to the author’s “own intellectual creation” and stipulates that “[n]o other criteria shall be applied”. This, arguably, imposes a greater qualitative element than is the position in *Feist*.²⁵²

(g) The discussion notes ancillary aspects to be considered, especially the relationship with “fair dealing”; the position of the author or owner of the data or subject matter in the compilation; and issues of illegality of subject matter in a database.

1.2 Criminal Law

(a) *Criminal Code*, sections 326(1)(b), “theft of telecommunications service” might have renewed potential in the present context as a consequence of the convergence of media of telecommunications with that of the computer industry.

(b) Other provisions of the *Criminal Code* of some relevance include: ss. 327(1) (possession of device to obtain telecommunication facility or service); 342.1 (unauthorized use of a computer); and 430(1.1) (mischief in relation to data).

(c) The general “theft” provision, s. 322(1), is not available in the light of the Supreme Court of Canada decision in *Stewart*.

²⁵² See *infra* text accompanying notes 306-307.

(d) Offences provided for in s. 42(1) and (2), *Copyright Act* may be relevant to the extent that copyright is available.

1.3 Unfair Competition/S. 7, Trade-marks Act

Although the terms of section 7(e) have been found by the Supreme Court of Canada to literally encompass the misappropriation or unfair competition tort established in the United States in the *INS* case, the constitutionality of section 7(e) is extremely doubtful. It will, therefore, be of no assistance with respect to any “taking” of data from a database or compilation. None of the earlier subparagraphs ((a)-(d)) of section 7 are relevant. The Supreme Court of Canada has, in general, limited the whole of section 7 to “round[ing] out regulatory schemes prescribed by Parliament”.

1.4 Constitutional Jurisdiction

(a) The constitutional limitation on section 7, *Trade-mark Act* would suggest little scope for any federal initiative to protect databases (beyond copyright) by means of “unfair competition” or misappropriation in the nature of a tort or *delict*. These matters, at least when standing alone, are likely to fall within exclusive provincial jurisdiction.

(b) However, there is likely to be a valid federal constitutional jurisdiction to regulate by means of *sui generis* relief comparable, for example, to the *Plant Breeders’ Rights Act* or the *Integrated Circuit Topography Act*. These enactments reflect multi-lateral or bi-lateral international accords; provide a system of national registration and administration; and provide systems that afford national treatment or reciprocity between other countries within the framework of the accords. Such elements go beyond any federal attempt to establish a federal tort. The position is rather a matter of “international trade” regulation and likely to be constitutionally valid as the “Regulation of Trade and Commerce” (s. 91(2)) or “implementation of a Canadian international obligation” under “Peace, Order and Good Government of Canada” (s. 91).

2. Provincial Sources

2.1 Unfair Competition

(a) Any province may create a statutory tort or *delict* in the nature of unfair competition that may provide relief for misappropriation of trade values, which could include the unauthorised taking of data from a database. The nature of this type of proceeding is presented in the *INS* case. Conceivably, provincial courts could similarly develop common law, or apply Article 1457 of the *Quebec Civil Code*, in such a manner. This has not been done. Such a tort is broad and difficult to define or limit. The adoption of such a remedy has been considered, yet rejected in many jurisdictions in the Commonwealth. The position is open in Canadian jurisdictions; and

(b) As protection of data was seen as a copyright jurisdiction under a “sweat of the brow” theory, any provincial involvement might infringe on federal copyright jurisdiction. This is unlikely given the now clear copyright limitation to elements of selection and arrangement and the stipulation in Article 10(2) of TRIPs that copyright protection of a database is not to extend to the data or contents itself.

2.2 Confidential Information

(a) Databases may, in principle, be protected as trade secrets or confidential information, but from a practical perspective, the contents or data if accessible to the public cannot be said to possess the requisite “quality of confidence”. Perhaps the structure, selection and arrangement of data possesses this quality, but this would not advance the level of protection beyond that of copyright.

(b) The so-called “springboard” principle may provide some basis for a database compiler to recover for the advantage gained by a competitor who takes material from a database. However, the limitation of the breach of confidence proceeding in Canada to situations where information is “imparted” to another (rather than being “acquired” by that other) is a significant limitation in this respect.

2.3 Trade Practices Legislation

There is no present general ability at provincial level to protect databases through current trade practices legislation. Only Manitoba has a provision that might provide some potential. All such provincial legislation is essentially consumer focused. Provinces could, of course, enact appropriate trade practices legislation.

PART II: APPROPRIATE LEGISLATION AND CASE LAW IN THE UNITED STATES AND THE COUNTRIES OF THE EUROPEAN UNION, AND THEIR REPERCUSSIONS ON THE PRINCIPAL STAKEHOLDERS

A. CURRENT LAW IN THE UNITED STATES

1. Introduction

The discussion in Part I has included comparative references to essential elements of current American law with respect to the protection of databases or other compilations. In addition, an exhaustive analysis of current law in the United States was provided in January 1997 in precisely the current context by Reichman and Samuelson, two leading American commentators.²⁵³ The United States Copyright Office also reported in August 1997.²⁵⁴

2. Copyright

The rejection of “sweat of the brow” theory has lessened the possibility of copyright law in the United States being interpreted as an “unfair competition” remedy within the rubric of copyright.²⁵⁵ *Feist* stipulates:

- originality requires a minimal element of “creativity”;
- the focus of originality is upon the selection and arrangement of the data;
- the criterion of creativity excludes “mechanical”, “typical” or “routine” methods of selection, as well as elements that are required by the context or industry concerned
- the requirement of establishing copyrightability of a database and requiring that an infringement can involve only copyrightable material [This is similar to the current approach of United States federal circuits in determining the copyrightability and non-literal infringement of computer software programs.]²⁵⁶

In addition to the above factors, which are illustrated in the number of post-*Feist* cases in the United States as detailed earlier in this Study,²⁵⁷ there is also the earlier noted link in the

²⁵³ Reichman and Samuelson, “Intellectual Property Rights in Data?” (1997), 50 Vanderbilt L. Rev. 51.

²⁵⁴ *Report on Legal Protection for Databases*, U.S. Copyright Office, August 1997.

²⁵⁵ See *supra* note 54 and accompanying text. See also *Key Publications*, *supra* note 43 at 514-515.

²⁵⁶ See *supra* text accompanying notes 95-104.

²⁵⁷ See review of *Feist* and post-*Feist* material, *supra*, text accompanying notes 42-57.

United States with the broadly based “fair use” provision.²⁵⁸ Reichman and Samuelson also refer to the impact of “fair use” and conclude:

“Taken together [with the limitations from *Feist* as set out above], these and other features of the mature copyright paradigm usually afford protection only against wholesale copying of the original selection and arrangement underlying any eligible compilation of data.”²⁵⁹

This presents the reality that copying to a very considerable effect is necessary to establish infringement of the copyrightable elements - the overall selection and arrangement of the database.

The usual “taking” from a database is principally of the data or content itself, not the selection and arrangement of the database. Only the operator of a competing database, or publisher of a competing compilation is likely to take a substantial quantity of the data. Copyright law, as applied in *Feist*, provides no protection for the data or content itself.

With respect to the practice of the United States Copyright Office concerning the registrability of copyright works, the Office reports that prior to 1989 (*Feist* was decided by the U.S. Supreme Court in 1991) compilations were accepted for registration on a “sweat of the brow” basis, but that after 1989 only telephone or similar directories were accepted on this basis. The earlier acceptance of “sweat of the brow” registrations had been under a “rule of doubt” based on:

“the co-existence in case law of the sweat of the brow standard with the 1976 Act’s explicit originality standard”.²⁶⁰

The 1976 statutory amendment in the United States provided a definition of “compilation” that emphasized the manner of selection, coordination and arrangement as the component of originality in compilations in the following terms:

“a work formed by the collection and assembly of pre-existing materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.”²⁶¹

The United States Supreme Court in *Feist* interpreted this provision as intended by the Congress to deal with ambiguities and misinterpretations flowing from earlier copyright legislation.²⁶²

²⁵⁸ See *supra* text accompanying notes 127-133.

²⁵⁹ Reichman and Samuelson, *supra* note 253 at 63.

²⁶⁰ Copyright Office Report, *supra* note 254 at Part VII, para. B1.

²⁶¹ *Copyright Act, 1976* (U.S.), 90 U.S. Stat. 2541, 17 U.S.C.A., s. 101.

Interim guidelines were established in 1988 and 1989 for database registrations on principles that foreshadowed *Feist*,²⁶³ so that the actual decision in *Feist*

“did not have a major impact on the Copyright Office’s registration practices for compilations. [*Feist*] did, however, give the Office the clear authority to reject works for which protection was claimed solely on the basis of ‘industrious collection’ or ‘sweat of the brow’”.²⁶⁴

The Office issued new guidelines in 1991 that identified the following five types of products that require “extra scrutiny”:

- “(1) telephone directories;
- (2) street directories, cross directories and other directories;
- (3) periodically updated directories;
- (4) annual cumulations; and
- (5) parts catalogues and inventory lists.”

These were seen as involving selection methods of potentially insufficient copyrightability as contrasted with

“feature-heavy directories, such as business profiles or annotated membership periodicals.”²⁶⁵

The position of the U.S. Copyright Office is, therefore, broadly similar to that reflected in the post-*Feist* case law noted earlier.²⁶⁶ Reichman and Samuelson do, however, express their opinion that

“some federal appellate courts have begun to rebel against *Feist* and to reinstate stronger copyright protection for factual compilations and databases by subtle doctrinal manipulation.”²⁶⁷

²⁶² See *Feist*, *supra* note 5 at 113 L.Ed. 2d 372-373.

²⁶³ Copyright Office Report, *supra* note 254 at Part VII, para. B2.

²⁶⁴ *Ibid.* at para. C.

²⁶⁵ *Ibid.*

²⁶⁶ See *supra* text accompanying notes 95-104.

²⁶⁷ Reichman and Samuelson, *supra* note 253 at 64.

Examples provided by Reichman and Samuelson are the Second Circuit in *CCC Information Services, Inc. v. MacLean Hunter Market Reports, Inc.*²⁶⁸ and the Eleventh Circuit in *Warren Publishing, Inc. v. Microdos Data Corp.*²⁶⁹

In *CCC Information* the court did observe that the United States Supreme Court in *Feist* emphasized the minimal level of independent choice to be exercised by a compiler and that the telephone directory in *Feist* failed because it was “found to be *completely* devoid of originality” (the emphasis is that of the court).²⁷⁰ It is, however, suggested that the more significant part of this case is the later reference distinguishing the methodology of analysis for “sweat of the brow” from that of finding copyrightable material. The court notes:

“The thrust of ... *Feist* was not to erect a high barrier of originality requirement. It was rather to specify, rejecting the strain of lower court rulings that sought to base protection on ‘sweat of the brow’, that *some* originality is essential to protection of authorship, and that the protection afforded extends only to those original elements.” (the emphasis is that of the court)²⁷¹

In effect, the court reiterates that liability without copyrightability is essentially not copyright but unfair competition.²⁷² In this case the data - the assessment of used car values involved calculation from many sources and the editors of the plaintiff had exercised professional judgment.²⁷³ Also “major portions” of the plaintiff’s compilation were simply reproduced in the defendant’s database²⁷⁴ and that this included the elements of selection and arrangement.²⁷⁵ *Warren Publishing* is less clear. The court took the correct approach of seeking copyrightability in the selection and arrangement, but ultimately found that the selection of the data (communities to be covered by a directory of cable television systems) to be sufficiently original.²⁷⁶ The

²⁶⁸ *CCC Information Services, Inc. v. MacLean Hunter Market Reports, Inc.*, 44 F. 3d 61 (2nd Cir. 1994).

²⁶⁹ *Warren Publishing, Inc. v. Microdos Data Corp.*, 52 F. 3d 950 (11th Cir. 1995).

²⁷⁰ *CCC Information*, *supra* note 268 at 65.

²⁷¹ *Ibid.* at 66.

²⁷² See *supra* note 54 and 255, and accompanying text.

²⁷³ *CCC Information*, *supra* note 268 at 63.

²⁷⁴ *Ibid.* at 64.

²⁷⁵ *Ibid.* at 65.

²⁷⁶ *Supra*, note 269 at 954-955.

copying by the defendant was “almost verbatim”.²⁷⁷ The dissenting judge was not, however, satisfied that the requirement of creativity in selection had been established.²⁷⁸

Overall, it appears that the narrower scope of protection of *Feist* in requiring “copyrightability” in the selection and arrangement of databases is prevailing, but that in finding originality in these elements there is considerable scope to include most situations, beyond basic mechanical, routine or obvious methods of selection. This was contemplated by the court in *Feist*²⁷⁹ and by the U.S. Copyright Office.²⁸⁰ The difference made by *Feist*, it is suggested, lies in the approach of requiring copyrightability (as opposed to simply comparing relative effort) and in requiring that infringement be of only the copyrightable material. As noted by Reichman and Samuelson, this will require reproduction of an extensive quantity, not simply an indiscriminate taking of data.²⁸¹

3. Misappropriation/Unfair Competition

Throughout Part A of this Study, references were made to the existence, in the United States, of a misappropriation remedy for unfair competition flowing from the seminal authority of *International News Service v. Associated Press* decided in 1918 by the United States Supreme Court.²⁸² In addition, reference has been made to the decision of the United States Supreme Court in *Feist* referring to *INS* and noting that that case had been decided the way it had because copyright did not extend to “the news element” itself, just as copyright in databases does not extend to the data or content of the database itself.²⁸³

The proceeding for misappropriation of business values, though unavailable in Canada and the Commonwealth as a whole,²⁸⁴ is conceptually appropriate to the protection of valuable business information, such as data from a database, and is well established, but infrequently

²⁷⁷ *Ibid.* at 955.

²⁷⁸ *Ibid.* at 957.

²⁷⁹ See *Feist*, *supra* note 5 at 377 noted *supra* note 56.

²⁸⁰ See Copyright Office Report, *supra* note 254 at para. C. Noting: “In general, the Office concluded that most compilations would continue to meet the standard of originality required by *Feist*”.

²⁸¹ See *supra* text accompanying note 259.

²⁸² See *supra* text accompanying notes 138-159. The *INS* case is referenced in note 138.

²⁸³ See *supra* note 54.

²⁸⁴ See *supra* note 142 and accompanying text.

invoked, in the United States.²⁸⁵ The principal reluctance to utilize the remedy is its potential breadth of application in a market place. It is predicated on a principle of unjust enrichment, but is so inadequately defined or limited in its potential application that the resulting impact in a competitive marketplace is unknown. It is, however, likely to be too restrictive of normal and expected competitive activities within the operation of the free marketplace. Its application is frequently said to be limited to the type of facts or context as those present in *INS*.²⁸⁶

Despite this hesitation in utilizing the theory of misappropriation on a broad basis, it has provided conceptual and theoretical support of the development of a misappropriation vehicle of relief in discretely recognized categories of unfair competition such as the misappropriation of the commercial value of another's identity or persona²⁸⁷ or trade secret protection.²⁸⁸ In effect, if the proceeding could be focused and contained to a context that would remain distinct and be sufficiently identifiable, it would be an effective vehicle to protect that discrete subject matter. One such discrete area could be data in databases or compilations.

This has not yet happened, but it is considered by Reichman and Samuelson.²⁸⁹ They build upon²⁹⁰ an earlier analysis by Gordon,²⁹¹ who seeks to provide the misappropriation tort with elements of predictability so as to enable it to be effective, yet contained, and therefore acceptable to the marketplace. Reichman and Samuelson pursue this in suggesting an action for "unfair extraction" for unconsented extractions from a database. Their theory evaluates the relative competitive impact between a compiler and an infringer of a database. It demarcates activities that will be destructive of the market for the database from activities that are not market destructive.²⁹² A refinement presented draws on a principle of "lead-time protection" in the

²⁸⁵ See *Restatement (3d) Unfair Competition*, S. 38, comment c, pp. 411-413.

²⁸⁶ *Restatement, ibid.* at p. 412. See also *supra*, text accompanying notes 139-141

²⁸⁷ See *Restatement, ibid.* at S. 38(B) and *Zacchini v. Scripps-Howard Broadcasting Co.* 433 U.S. 562, 572-573 (1977). See *supra*, text accompanying notes 157-159.

²⁸⁸ See *Restatement, ibid.* at S. 38(A) and SS. 39-45. See also, *supra* note 193 and accompanying text.

²⁸⁹ Reichman and Samuelson, *supra* note 253 at 139 *et seq.*

²⁹⁰ *Ibid.* at 140-141.

²⁹¹ Gordon, "On Owning Information: Intellectual Property and Restitutionary Impulse" (1992), 78 Va. L. Rev. 149.

²⁹² Reichman and Samuelson, *supra* note 253 at 142-144. Some factors that the commentators list include: amount and nature of the data appropriated; user's purpose; relationship of the data to the user's own investment in data holdings of this nature; similarity of databases; relevant markets for the products; and extent of copying. Inherent in many of these factors is the unjust enrichment of a copier in the context of "reaping without sowing" as was the basis of *INS*.

marketplace, by way of analogy with trade secret protection.²⁹³ The proposal would encompass a variety of remedial responses reflecting the relative balance and relationship between the compiler and infringer.²⁹⁴

Difficulties, however, might be experienced in the United States in determining the constitutional relationship between federal copyright law and state unfair competition. Even if a matter is not expressly covered by federal copyright, a negative pre-emption might be found on the basis that the absence of federal regulation is itself intended to “promote the Progress of Science and useful Arts”²⁹⁵ by encouraging access by the public to the information.²⁹⁶ Any misappropriation remedy that would likely be acceptable would be one that would proscribe a taking that would destroy the market of the compiler.²⁹⁷

4. **Trade Secret**

The discussion in Part A adequately describes trade secret law in the United States. A comparison is made with the position in Canada.²⁹⁸ The discussion noted little scope for the protection of databases by trade secret law, at least with respect to databases that are publicly accessible. Computer programs, including data files can be protected as a trade secret if the quality of confidence exists. The principle of “lead time protection” in the market place or “springboard” has also been noted.²⁹⁹ The extent to which trade secret law in the United States encompasses an acquisition “by means that are improper”³⁰⁰ presents a broader potential than is the position in Canada.

²⁹³ Reichman and Samuelson, *ibid.* at 145 *et seq.* This is essentially a similar theory to the so-called “springboard” principle referred to *supra* text accompanying note 175-180.

²⁹⁴ *Ibid.* at 148.

²⁹⁵ *United States Constitution*, Article 1, Section 8, Clause 8 – see *supra* note 11 and accompanying text.

²⁹⁶ See Nimmer discussed *supra* text accompanying note 134. See also Reichman and Samuelson, *supra* note 253 at 144 noting their view that if the State of Kansas had an unfair competition regime to protect databases then after the decision in *Feist* if a misappropriation remedy were pursued in the circumstances in *Feist* (competing publications of “white pages”) the appropriations proceeding would not have succeeded.

²⁹⁷ See Reichman and Samuelson, *ibid.* at 143-144 distinguishing the situations of a competitor taking “hot news” and a historian subsequently taking the news from the database in order to write a book.

²⁹⁸ See *supra* note 170 *et seq.* and accompanying text.

²⁹⁹ See *supra* text accompanying notes 175-180 and 293.

³⁰⁰ See *supra* text accompanying note 186.

B. THE EUROPEAN DATABASE DIRECTIVE

1. Introduction

This Directive was issued in March 1996.³⁰¹ It is stipulated to be implemented by legislation in member states with effect from January 1, 1998. This process is in the course of completion in all member countries. Principal objectives of the Directive are:

(a) To provide greater protection of databases, seen to be insufficiently protected throughout the European Union;³⁰² and

(b) To harmonize the law on database protection throughout the member countries, to ensure the proper functioning of the market and to ensure that unharmonized intellectual property laws do not prevent the free movement of goods and services within the community.³⁰³

Two protections or rights are stipulated:

(a) Copyright protection;³⁰⁴ and

(b) *Sui generis* protection.³⁰⁵

2. Copyright Protection

Copyright protection is focused on the elements of selection and arrangement of the data or contents. These elements must constitute the author's "own intellectual creation". Beyond

³⁰¹ For recent commentaries on the Directive see Gaster, "The New EU Directive Concerning the Legal Protection of Databases" (1997), 20 *Fordham Int. Law Journal* 1129; Powell, "The European Union's Database Directive: An International Antidote to the Side Effects of Feist?" (1997), 20 *Fordham Int. Law Journal* 1215; and Hunsucker, "The European Database Directive: Regional Stepping Stone to an International Model" (1997), 7 *Fordham Intell. Prop. Media & Ent. L.J.* 697. Earlier commentaries on the Directive included: Brodie, "The Database Directive and the Berne Convention" (1992), 8 *Comp. Law & Pract.* 108; Bouganim "Conference Report on the European Database Directive" (1992), 8 *Comp. Law & Pract.* 81; and Metalitz, "The Database Directive and the EC's 'Direction' on Copyright: Some Reflections" (1993), 4 *Fordham Intell. Prop. Media & Ent. L.J.* 33.

³⁰² European Database Directive, Directive 96/9/EC of the European Parliament and Council of the European Union, March 11, 1996 – Recital (1).

³⁰³ *Ibid.*, Recitals (2), (3) and (4).

³⁰⁴ *Ibid.*, Chapter II, Articles 3-6.

³⁰⁵ *Ibid.*, Chapter III, Articles 7-11.

these requirements, the Directive stipulates that “[n]o other criteria shall be applied” to determine eligibility for copyright protection. The reference to “intellectual creation” would appear to stipulate some qualitative or creative factor. The preclusion of “other criteria” would likely exclude any “sweat of the brow” criterion. The position in the E.U. as to copyright and databases would, therefore, be similar to (if not more strict than) that in *Feist* in the United States and in *Tele-Direct* in Canada. Article 3(2) provides, in terms similar to Article 10(2) of the TRIPs Agreement,³⁰⁶ that:

“3(2): The copyright protection of databases provided for by this Directive shall not extend to their contents and shall be without prejudice to any rights subsisting in those contents themselves.”³⁰⁷

Article 5 provides for the exclusive rights of the database copyright holder, including the prevention of: temporary or permanent reproduction; “translation, adaptation, arrangement and any other alteration”; and “communication, display or performance to the public.” Article 6(2) enables member states to provide “for limitations” on these rights.

3. The New *Sui Generis* Right

The new *sui generis* protection is focused on the data or contents of the database. Article 7 vests this right in the maker of the database. *Either* qualitative *or* quantitative investment of a substantial nature will qualify. Accordingly a “sweat of the brow” or industrious collection is sufficient or may be combined with a creative element. These elements of investment must relate to one of:

- obtaining the data
- verifying the data
- presentation of the contents of the database.

The nature of the right is:

“to prevent extraction and/or re-utilization of the whole or of a substantial part evaluated qualitatively and/or quantitatively, of the contents of that database.”³⁰⁸

The expressions “extraction” and “re-utilization” are defined terms as follows:

“2(a) ‘extraction’ shall mean the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form.”

³⁰⁶ TRIPs Agreement, *supra* notes 92-94. Article 10(2) is reproduced in the text accompanying these notes. See also *supra* text accompanying note 252.

³⁰⁷ European Database Directive, *supra* note 302, Article 3(2).

³⁰⁸ *Ibid.*, Article 7(1).

“2(b) ‘re-utilization’ shall mean any form of making available to the public all or a substantial part of the contents of a database by the distribution of copies, by renting, by on-line or other forms of transmission...”

The “re-utilization right” is subject to a “first sale” rule of exhaustion within the European Union upon the rightholder selling or allowing sale of “a copy of a database”. This literally must be taken to mean the sale of the whole database, rather than simply part of the database.³⁰⁹ Article 7(5) precludes “repeated and systematic” extraction or re-utilization that comprises:

“acts which conflict with a normal exploitation of that database or which unreasonably prejudice the legitimate interest of the maker of the database.”³¹⁰

Article 7(3) allows rights under Article 7 to be “transferred, assigned or granted under contractual license.” The term of protection is given in Article 10 as 15 years “from the first of January of the year following the date of completion” of the making of the database. However, Article 10(2) provides:

“In the case of a database which is made available to the public in whatever manner before the expiry of [the 15 year period referred to above] the term of protection by that right shall expire fifteen years from the first of January of the year following the date when the database was first made available to the public.”

This provision could be used to allow up to 30 years of protection. For example, if a database, not available to the public, were made available to the public in, say the fourteenth year of protection from the time of its making, it would gain a further 15 years from that time under Article 10(2). The purpose of this may be to encourage the making available to the public of data. Article 14(3) and (5) covers databases already in existence as at January 1, 1998 when the Directive became effective. A period of 15 years protection is granted from January 1, 1998, if the database had been completed within 15 years prior to January 1, 1998. This would appear to cover databases that are not available to the public at January 1, 1998, but presumably the very explicit terms of Article 14(5) would limit the period of protection to 15 years from January 1, 1998 even if the database were made available to the public during that term – i.e. Article 10(2) would not be applicable to a database protected under Article 14(3) and (5).

4. “Evergreen” Protection

Article 10(3) presents an important aspect concerning the term of the *sui generis* protection, conceivably allowing a database as a whole to receive protection in perpetuity so long

³⁰⁹ *Ibid.*, Article 7(2)(a) and (b).

³¹⁰ *Ibid.*, Article 7(5) provides that “extraction and/or re-utilization ... *shall not be permitted*”. Presumably, the reference to “shall not be permitted” means that such extraction or re-utilization is an infringement of the rights under Article 7.

as the content is substantially renewed during the term of protection. Such renewals are recognized as providing a fresh basis for a new term of protection for the entire database, including subject matter that was pre-existing in the database. To gain such protection, it is necessary that:

- the change be substantial, “evaluated qualitatively or quantitatively”;
- the substantial change may result from “the accumulation of successive additions, deletions or alterations”; and
- the result of the change is such that the database is seen “to be a substantial new investment evaluated qualitatively or quantitatively”.

One commentator has described this provision as resulting “in successive and partially concurrent 15-year terms providing potentially permanent protection under the *sui generis* right”.³¹¹ Whether or not it is necessary to utilize such a characterization, instead of regarding the database as being simply renewed for a term of 15 years from the time of the qualifying change, will depend on interpretations to be given by European courts as well as the facts and nature of the change in particular instances. Regular and substantial updating of the whole of a database could allow that database to be protected continuously in a manner comparable to a monetary fund. Individual returns and expenditures flow to and from a fund without affecting proprietorship of the fund itself. Article 10(3) might also be interpreted as allowing identifiable parts of a database to receive a separate term of protection.

5. Regulation of the *Sui Generis* Right

Articles 8 and 9 provide additional regulation of the *sui generis* right. Article 8 concerns databases made available to the public. It precludes the maker of such a database from preventing a “lawful user” from extracting or re-utilizing *insubstantial* parts of the contents of the database “for any purpose whatsoever” – i.e the maker can have no control over the use made of the data by a lawful user extracting and re-utilizing within the terms of this Article. Correspondingly, the user cannot engage in acts beyond the normal exploitation of the database “or unreasonably prejudice the legitimate interests of the maker of the database.” Article 9 allows member states to provide for exceptions to the *sui generis* right in respect of databases

made available to the public. The exceptions may allow, without the consent of the maker, extractions or re-utilizations of a *substantial* part of the data with respect to:

- “extraction for private purposes of the contents of a non-electronic database”;
- “extraction for the purposes of illustration for teaching or scientific research, as long as the source is indicated and to the extent justified by the non-commercial purpose to be achieved”; and

³¹¹ Charlton, “The Effect of the E.C. Database Directive on the United Kingdom Copyright Law in Relation to Databases: A Comparison of Features”, [1997] 6 E.I.P.R. 278, 283.

- “extraction and/or re-utilization for the purposes of public security or an administrative or judicial procedure.”

6. Eligibility for *Sui Generis* Protection – International Consequences

Article 11 is very important for jurisdictions outside of the European Union. It stipulates that the *sui generis* right in Article 7 shall apply to databases whose makers or rightholders [for example, by assignment of licence] “are nationals of a Member State or who have their habitual residence in the territory of [the European Community]”. A registered office of a firm in the territory of the Community will be sufficient only if its operations are “genuinely linked on an ongoing basis with the economy of a Member State.” The extension of the *sui generis* right to databases made outside of the European Union, by makers not qualified for protection by being nationals of Member States or with a habitual residence in the territory of the Community, will be by approval of the Council of the European Union acting on a proposal from the Commission of the European Union. Eligibility for protection, therefore, be summarized as covering:

- (a) Makers who are nationals/habitual residents of the E.U. states for:
 - (i) databases within the E.U.; and
 - (ii) databases outside the E.U. raising issues of enforcement, jurisdiction and private international law;
- (b) Rightholders (say by assignment or licence) who are nationals/habitual residents of the E.U. states for:
 - (i) databases within the E.U.; and
 - (ii) databases outside the E.U. raising issues of enforcement, jurisdiction and private international law;
- (c) Makers or rightholders who are not qualified as nationals/habitual residents under (a) and (b) – but who make databases in countries (“third countries”) outside of the European Union but to whom the *sui generis* right has been extended by agreement.

The scope and extent of any agreement of the nature referred to in Article 11 is somewhat vague. Article 11(3) simply limits the term of any such agreement to a period not to exceed that available under Article 10 – this would appear to allow up to 30 years – 15 years as a private database and a further 15 years after making the database available to the public. However, the scope of Article 11 and any negotiated agreement with a third country must be read together with Recital 56 of the Directive which reveals the intent to enter into such agreements:

“only if such third countries offer comparable protection to databases produced by nationals of [E.U. States] or persons who have their habitual residence in the territory of the Community.”

Therefore, any country outside of the European Union (say, Canada) desiring to protect databases made domestically (by non E.U. nationals) against extraction or re-utilization in Europe will not gain the *sui generis* right for its citizens (Canadians, unless it also provides comparable protection in its law. In addition, private international law issues might be raised in the context of paragraphs (a)(ii) and (b)(ii) above. For example, a Canadian who is also a national of an E.U. member state may create a database in Canada. As a national of an E.U. member state, the Canadian is protected by Article 7, the *sui generis* right. If the database is extracted or re-utilized by first, an E.U. accessor – can the Canadian sue in Europe? Secondly, if the database in Canada is extracted or re-utilized by a Canadian who has links (assets, branch office, etc.) with Europe, can the Canadian maker sue the Canadian user in Europe? What would be the “choice of law”? Would the answer be different if Canada were to enter into an agreement under Article 11 of the Directive? Similar questions would arise if a Canadian were to access and infringe a European database protected by the *sui generis* right. If the Canadian had a branch office or other presence in Europe, could the Canadian be subject to the *sui generis* right for an access link made in Canada?

The influence and issues of private international law are being increasingly raised with respect to copyright enforcement on transnational mediums such as the Internet,³¹² but the potential is even greater in the context of *sui generis* protection of databases that can be accessed, extracted and re-utilized globally. This flows from the absence of any international infrastructure for the *sui generis* right comparable to that available for copyright protection.

7. Non-Exclusion of Some User Rights

Article 15 precludes any “contracting out” of the provisions of Articles 6(1) and 8. These provisions allow a “lawful user of a database” to:

- perform any of the restricted acts (Article 5) if the performance of any of those acts has to be done for the purpose of access to, and normal use of, the contents of a database (Article 6(1))

³¹²In Canada, see Howell, Canadian Report in “Copyright in Cyberspace” ALAI Study Days (June 1996) (Otto Cramwinckel 1997) pp. 269-289; Howell, “Intellectual Property, Private International Law, and Issues of Territoriality” (1997), 13 C.I.P.R. 209 (being publication of a presentation in November 1996 at the 70th Annual General Meeting of the Patent and Trademark Institute of Canada); and Sookman, “Copyright and the Information Highway: Some Issues to Think About (Part II) (1997), 11 I.P.J. 265 at pp. 287-294. References to authorities and commentaries in some other jurisdictions are contained in these surveys. See also Gendreau, “Crown Copyright in Cyberspace: Teachings from Comparative Law” (1996), 10 I.P.J. 341 at 349 concerning the rule on national treatment and the rule on the comparison of terms.

- extract or re-utilize, for any purpose insubstantial (evaluated qualitatively or quantitatively) parts of the contents of a database made available to the public.

The exercise of these rights cannot be done to the prejudice of the holder of a copyright or related right in works or subject matter in a database.

8. The Coordination of Copyright and the *Sui Generis* Right

The European Database Directive has been noted as establishing a copyright approach to database protection similar to that in *Feist* in the United States and *Tele-Direct* in Canada.³¹³ However, it was also necessary for the Directive to further rationalize the relationship between copyright and the new *sui generis* right.

The relationship reflects the trite demarcation between protected form of expression and unprotected facts or ideas. The former presents the originality of selection and arrangement of the structure of the database itself. The latter is the content. The “sweat of the brow” approach blurred this demarcation. It risked protecting content for which there is no originality on the part of the compiler or maker of the database. This would afford an unfair competition remedy. The European Database Directive avoids this potential by protecting separately, first the copyright in the selection and arrangement, for which some “creativity” or the author’s “own intellectual creation” is required (Article 3(1)); and secondly, the content by the *sui generis* protection (Article 7).

Given the requirement of both Article 3(2) of the Directive and Article 10(2) of the TRIPs Agreement precluding any copyright extension to the content or data itself,³¹⁴ it is important that this distinction be maintained. Presumably, there is no constitutional difficulty in the European Union of a type similar to that in the United States concerning any implied or negative pre-emption by copyright to promote access by the public and thereby to “promote the Progress of Science and useful Arts.”³¹⁵ The Directive addresses boundary issues between copyright and the *sui generis* right in the following additional contexts.

- (a) Article 7(4) provides that the *sui generis* right will apply irrespective of:
 - (i) the eligibility of the database for copyright protection; and
 - (ii) the eligibility of the contents of the database for protection by copyright or other rights.

³¹³ See *supra* text accompanying notes 92-94 and note 306.

³¹⁴ See *supra* text accompanying note 307.

³¹⁵ See *supra* text accompanying notes 295-297.

Furthermore, the *sui generis* right is without prejudice to rights (most commonly, copyright) existing in respect of their contents;

(b) Article 8, provides that the rights and obligations of lawful users of databases made available to the public³¹⁶ must not be exercised

“in any manner that may ... cause prejudice to the holder of a copyright or related right in respect of the works or subject matter contained in the database”;

(c) The provisions of Article 9, providing for certain exceptions to the *sui generis* right to be enacted at the option of member states,³¹⁷ are not expressed as limited so as to preserve any copyright in the database itself or in any subject matter within the database. However, Article 6(2)(a)(b) and (c) provides member states with the option of providing identical exceptions with respect to copyright protection. Presumably, the correlation between the *sui generis* right and the copyright in this context is left to the member states; and

(d) A “first sale” principle of exhaustion in the European Union is stipulated in Article 5(c) with respect to copyright in the same manner as is provided in Article 7(2)(b) with respect to the *sui generis* right.³¹⁸

In addition, the Directive addresses copyright protection in the following contexts:

(a) The new focus of copyright on the selection and arrangement and creative contribution, will not prevent a member state from continuing to give copyright protection, say on a “sweat of the brow” basis, if the database was so protected in this manner by a member state as at January 1, 1998 (Article 14(2)); and

(b) The Directive is declared in Article 13 to be without prejudice to other intellectual property rights and various other rights applicable generally to information in databases.

C. THE WIPO DRAFT TREATY

1. Introduction

The last two years has seen considerable activity in the World Intellectual Property Organization (“WIPO”) in Geneva with respect to global harmonization of aspects of copyright

³¹⁶ See *supra* text heading “The European Database Directive” paragraphs E. “Regulation of the *sui generis* right” and G. “Non-Exclusion of Some User Rights”.

³¹⁷ *Ibid.*

³¹⁸ See *supra* text accompanying note 309.

and neighbouring rights. On December 20, 1996 the WIPO Diplomatic Conference in Geneva produced two new treaties:

- The WIPO Copyright Treaty (“WCT”)
- The WIPO Performances and Phonograms Treaty (“WPPT”).

These two treaties, however, are not directly concerned with this Legal Study on Databases, beyond noting that Article 5 of the WCT provides to the same effect (with inconsequential changes in wording) as Article 10(2) of the TRIPs Agreement concerning copyright protection of compilations of data.³¹⁹

The Diplomatic Conference also had before it a “Draft Treaty on Intellectual Property in Respect of Databases”. This draft was the culmination of the following events:³²⁰

- (a) In December 1994 a Delegation of the European Commission advised WIPO of the work being done on the European Database Directive.³²¹ Later (September 1995) the European Community and Member States submitted a discussion paper on the proposed *sui generis* right;
- (b) In February 1996, the European Community and Member States submitted a proposal for the international harmonization of *sui generis* protection of databases;
- (c) In May 1996, the United States submitted a proposal for the same purpose;
- (d) Both proposals (of the European Community and the United States) contained draft treaty provisions. The “Draft Treaty on Intellectual Property in Respect of Databases” before the delegates at the December 1996 Diplomatic Conference had been prepared and reflected the two drafts³²².

³¹⁹ See *supra* note 306. See also Reinbothe, Martin-Pratt and von Lewinski, “The New WIPO Treaties: A First Resume”, [1997] 4 E.I.P.R. 171, 174 noting that the equivalence in scope of Article 5 of the WCT and Article 10(2) of TRIPs “to have been confirmed in an agreed statement adopted by the Diplomatic Conference.”

³²⁰ See “Memorandum prepared by the Chairman of the Committee of Experts”, WIPO document CRNR/DC/6, August 30, 1996.

³²¹ For references concerning the preliminary work on the European Database Directive see Hughes and Weightman, “E.C. Database Protection: Fine Tuning the Commission’s Proposal”, [1992] 5 E.I.P.R. 147 and Chalton “The Amended Database Proposal: A Commentary and Synopsis”, [1994] 3 E.I.P.R. 95.

³²² The Draft Treaty was prepared by Jukka Liedes (Finland), Chair of the WIPO Committee of Experts.

³²³ See *Report on Legal Protection For Databases*, U.S. Copyright Office, *supra* note 254, Part VII, para. C.

(e) There had been some division of opinion as to whether the time was appropriate for the submission of such a draft treaty. The Draft Treaty was not dealt with substantively at the conference. It had proven to be controversial in the United States.³²³

Follow up Information Sessions were called for by the Diplomatic Conference. These occurred in March and most recently, September 17-19, 1997.³²⁴

2. Terms of the WIPO Draft Treaty

The terms of the WIPO Draft Treaty for database protection were relatively similar to the provisions of the European Database Directive. However, the following differences are noted:

(a) Significant Differences [References are to EDD (European Database Directive) and WIPO (WIPO Draft Treaty, December 1996)].

(i) International membership and global “national treatment” between Contracting Parties, in a manner similar to copyright protection, was provided for in WIPO, Articles 6 and 7;

(ii) WIPO, Article 8 provided for two options concerning term of protection: 15 years as provided in EDD, Article 10(1); and 25 years as sought by the United States. WIPO, Article 8 also contains a provision similar to EDD, Article 10(2) that would allow a further period of 15 years from the time of making the database available to the public. WIPO, Article 8(2) provided in this manner with the choice of a term of either 25 years or 15 years “from the first day of January in the year following the date when the database was first made available to the public”. If the term option of 25 years is taken under both Article 8(1) and 8(2), then a combined term of up to 50 years would result. Under EDD, Article 10(2), the potential maximum would have been 30 years;

(iii) WIPO, Article 5(1) would have provided a general authority and opportunity for contracting parties to make exceptions to or limitations of the rights provided in the draft treaty. The EDD, Articles 6 (copyright) and 9 (*sui generis*) stipulated specific situations for which exceptions might be made.³²⁵ However, the general discretion under WIPO, Article 5(1) might in substance have been narrower than the specific circumstances or situations allowed in EDD, Articles 6 and 9. WIPO, Article 5(1) required any exception or limitation to be only:

³²⁴ See WIPO Information Meeting on Intellectual Property in Databases – Document DB/IM/3 June 13, 1997 (Information Received From Member States of WIPO Concerning Intellectual Property in Databases) and Document DB/IM/7 November 18, 1997 (Analytic Table of Questions Raised).

³²⁵ See *supra* note 316, paragraph E. See EDD Articles 8 and 9 (*sui generis* right) and Article 6(2) (Copyright).

“in certain special cases that do not conflict with the normal exploitation of the database and do not unreasonably prejudice the legitimate interests of the rightholder.”

Similar limits were stipulated in Article 6(3) of the EED (re copyright);

(iv) WIPO, Article 5(2) would have allowed contracting parties to determine the protection to be given to databases “made by governmental entities or their agents or employees”. There was no similar provision in the EDD.

(v) WIPO, Article 10(1) stipulated that:

“Contracting Parties shall make unlawful the importation, manufacture or distribution of protection-defeating devices, or the offer or performance of any service having the same effect, by any person knowing or having reasonable grounds to know that the device or service will be used for [infringement of rights under this Treaty].”

No similar provision existed in the EDD. WIPO, Article 10(2) stipulated the requirement of providing “effective remedies” and Article 10(3) defined “Protection-defeating device”; and

(vi) WIPO contained no provision recognizing the need to consider the relationship between the provision of a *sui generis* rule protecting the content of databases and the need to enhance competition law to ensure that the maker of databases did not use the grant of a *sui generis* right to abuse the dominant position in which the maker of the database may be. Article 16(3) of the EDD provided for the EU Commission to submit every three years to various offices a report on the operation of the Directive;

“especially whether the application of [the *sui generis*] right has led to abuse of a dominant position or other interference with free competition;”
and

(vii) WIPO, Article 21 stipulated the requirement of “criminal procedures and penalties” to be applied in circumstances of “wilful piracy on a commercial scale”. Provisions concerning “seizure, forfeiture and destruction” were also contemplated. The EDD contained no such requirements.

Potential remedial responses to any anticompetitive practice included the grant of “non-voluntary licensing arrangements.”³²⁶

³²⁶ See *supra* notes 122 and 123 and accompanying text concerning the interrelationship between intellectual property and competition or anti-trust law and regulation.

(b) Routine Differences

(i) EDD, Article 7(1) gave the maker of a database rights to prevent:

- Extraction
- *Re-utilization*

WIPO, Article gave the maker of a database rights to prevent:

- Extraction
- *Utilization*

No difference resulted as the expressions “extraction” in both EDD and WIPO, as well as the different expressions “re-utilization” and “utilization”, were defined identically (EDD, Article 7(2)(a) and (b); WIPO, Article 2) in these respects.

(ii) WIPO, Article 2, included a number of definitions of expressions left undefined in the EDD. Some of these terms are of crucial significance, e.g. the terms:

- “maker of database”
- “database authorship”
- “substantial investment”
- “substantial part”;

(iii) WIPO, Article 13 addressed the availability of remedies. It gave alternatives – first, a stipulation of remedies and procedures; secondly, a reference to and incorporation of the enforcement mechanism in the TRIPs agreement,³²⁷ and

(iv) WIPO, Article 11(3), stipulated a two year period for the distribution to the public of copies of databases that were lawful before the WIPO treaty would come into effect, but would then be outside of the treaty. No such limitation was provided for in the EDD. Indeed, Article 14(2) EDD has been noted as allowing a member state to

³²⁷ TRIPs Agreement, *supra* note 92. Remedial and enforcement procedures are set out in Part III, articles 41-61.

³²⁸ Two other bills are currently before the US Congress on the database issue, all following the same principles - S. 2291 and a section in HR 2281. In light of these bills, the Department of Justice made public a memorandum sent to the White House Counsel, William P. Marshall, on July 28, 1998, and the Department of Commerce sent a letter to Senator Leahy on August 4, 1998. They may respectively be found on the Internet at: <http://www.acm.org/usacm/copyright/doj-hr2652-memo.html> and <http://www.acm.org/usacm/copyright/doj-s2291.html>.

continue to give copyright protection (e.g. on a “sweat of the brow” basis) if the database was protected in this manner as at January 1, 1998 when the EDD became effective.

D. INITIATIVES IN THE UNITED STATES

In May, 1996, prior to the December 1996 WIPO Diplomatic Conference, Congressman Moorhead introduced in Congress a bill to protect databases. In October, 1997, after the various international meetings of experts since the December, 1996 Diplomatic Conference, Congressman Coble introduced a further bill³²⁸. The bills take a very different approach to the protection of databases.

1. Bill H.R. 3531 (104th Congress), May 23, 1996 (Moorhead)

This bill, entitled “Database Investment and Intellectual Property Antipiracy Act”, would have protected a maker of a database from unauthorized *extraction, use or re-use* of all or a substantial part, qualitatively or quantitatively, of the contents of the database (s. 4) - it was not enacted in the 104th Congress and has lapsed. The period of protection was 25 years from the first of January following the date when it was first made available to the public or the earlier of first placed in commercial use (s. 6(a)). Additional provisions proscribed: (i) the importation, manufacture or distribution of any item, the primary purpose of which is to circumvent the database protection systems (s. 10); and (2) any compromise of the integrity of a database by removal or alteration of “database management information”, being the name and other identifying information of the database maker and owner and the terms and conditions for extraction, use and reuse of the contents (s. 11). Criminal sanction was provided for any infringement of s. 4 that was done willfully and “for direct or indirect commercial advantage or financial gain” (s. 8). Likewise, violation of s. 11, if with intent to defraud, would have been an offence.

2. Bill H.R. 2652 (105th Congress), October 9, 1997 (Coble)

This bill is entitled “Collection of Information Antipiracy Act”. It proscribes extraction or use in commerce of the content of databases as follows (s. 1201):

“Any person who extracts, or uses in commerce, all or a substantial part of a collection of information gathered, organized, or maintained by another person through the investment of substantial monetary or other resources, so as to harm that other person’s actual or potential market for a product or service that incorporates that collection of information and is offered by that other person in commerce...”

Various exceptions are provided for extractions or use in circumstances including:

- individual items of information or other insubstantial part of the collection;
- independent gathering of the information otherwise than by extracting it from the database;
- to verify accuracy of information independently gathered;
- to use “for not-for-profit educational, scientific or research purposes in a manner that does not harm the actual or potential market for the product or service”; and
- for the sole purpose of news reporting.

The exception for “educational, scientific, or research purposes” may be quite limited in application as a result of the qualification of not harming the actual or potential market of the database compiler.

3. Comparing the Moorhead and Coble Bills

Comparing the Moorhead and Coble bills, the former is similar to the European Database Directive in providing a *sui generis* remedy for any non-consented extraction, use or re-use by any person. The latter, however, is more in the nature of an “unfair competition” response to prevent a competitor or user from extracting or using database subject matter in commerce to the extent that it harms the database maker’s “actual or potential market”. It is a prohibition against misappropriation of a nature similar to the tort in *INS*, but with the potential of a “non-competitor user” also being sanctioned if utilizing the data in circumstances that will harm the market of the database maker. Ordinarily, more serious harm will likely occur by competitive user activities.

4. Comparing the Coble Bill with the EDD and the WIPO Draft Treaty

Comparing the Coble bill with the EDD (Article 10(3)) and the WIPO draft treaty (Article 8(3)) note should be made of the absence from the Coble bill of a new term of protection of a database as a whole, including pre-existing subject matter, upon a substantial renewal of the database subject matter as discussed earlier in this Report with respect to the EDD. Likewise, there is no equivalent in the Coble bill to that of Article 15 EDD concerning non-contracting out to third parties of specified rights of lawful users.

5. The Copyright Office Report

The U.S. Copyright Office responded to expressions of concern with respect to both the WIPO Draft Treaty (presented at the December 1996 Diplomatic Conference) and Congressman Moorhead’s bill (H.R. 3531) (May, 1996) by meeting with interested parties during 1997.

Reporting in August 1997 the Office posed two options:³²⁹

³²⁹ See *Report on Legal Protection for Databases*, U.S. Copyright Office, *supra* note 307, part VII, para. C.

- a *sui generis* right of exclusive property in the database; and
- an unfair competition proceeding.

Additionally, of course, there is a third option of doing nothing. This would recognise that copyright itself (focused on selection and arrangement) provides an appropriate balance of the interests involved.

The principal differences between the *sui generis* option and the unfair competition option are substantial. Unfair competition is focused on *conduct* that is exploitative. It must harm (or be likely to harm) the actual or potential market for the product or service. In effect, a remedy in “unfair competition” regulates the relationship *between competitors* and proscribes conduct, which is seen as going beyond healthy or fair competition into “competition” that is destructive of the market itself. The situations that will prove remedial cannot be stipulated in advance with any degree of precision. It will be for the court to evaluate tortious conduct within the broad framework of the action. The case law will determine the finer details. There will be a greater degree of litigation as outcomes will be more dependent on judicial evaluation. On the other hand, it is a remedy that responds to only actual or potential damage. The “property” that is protected is *the business and its value, not the information or data itself*. In this sense, an extraction or use of data or information by merely a user of the information, rather than a competitor/supplier of that data or information, will not trigger any legal response. The compiler will lose a “user fee”, but the particular act of extraction or use does not threaten the compiler’s business enterprise as it would if done by a competitor. There is, however, a limit to this distinction. If all users or non-competitor customers could simply take the data or contents with impunity, the business would ultimately fail or more probably, would continue, but with the paying users bearing a higher fee structure to compensate for the losses incurred. Only the *sui generis* remedy, recognizing property in the data or information itself, can provide relief beyond that provided under an unfair competition theory. However, the impact on the availability of information is so great that precise circumstances, definitions and exceptions need to be formatted and provided for in the legislation creating the remedy. Substantial issues of public interest are involved. They are noted in Part C of this Study. Some are discussed in the U.S. Copyright Office Report.³³⁰

The U.S. Copyright Office does not recommend conclusively for one or the other option nor, indeed, whether to take no action and leave the matter to existing copyright law. However, a discussion of United States constitutional law and, in particular, the limitations inherent in the federal “copyright” power and the scope of the federal “commerce” power to enact legislation protecting non-copyrightable interests of a database, led the Office to conclude:

“the more the statute differs from copyright, the more likely it is to be constitutional”³³¹

³³⁰ *Ibid.* at para. E.

This tends more toward an unfair competition response.³³² It is a direction supported in the United States by Reichman and Samuelson building upon Gordon's theory of unfair competition.³³³ At the time Reichman and Samuelson discussed this matter only Bill H.R. 3531 (Moorhead) was before the Congress. Their commentary considers the scope of Bill H.R. 3531 in comparison with the European Database Directive. They note that the United States' input to the combined European/United States draft treaty that was presented to the December, 1996 WIPO Diplomatic Conference had been given prior to the presentation of legislation to the U.S. Congress. Bill H.R. 3531 (Moorhead) corrected this position. This bill, however, reflects the United States' position in the WIPO Draft Treaty. Reichman and Samuelson conclude:

“[Bill H.R. 3531] articulates a far more protectionist strategy than that of the E.C. directive ... [t]his protectionist bias then influenced the Draft Database Treaty that the WIPO Experts recommended for consideration at the Diplomatic Conference”³³⁴

The principal differences between the EDD and the WIPO Draft Treaty have been noted earlier in this Study.³³⁵ It is accurate to conclude that the WIPO Draft Treaty is a little more restrictive than the EDD. However, as noted, there is no real difference between the protected rights of

- extraction (both EDD and WIPO); and
- re-utilization (EDD) and utilization (WIPO)

in those documents. Bill H.R. 3531, on the other hand, would define the expressions “use” and “reuse” in the bill, more broadly than would be the position in the EDD and the WIPO Draft Treaty by including:

(a) simply the “making available” of the data to another, rather than “to the public”;
and

(b) simply giving “access” to the data to another.

³³¹ *Ibid.* at para. H(1).

³³² *Ibid.*

³³³ See Reichman and Samuelson, *supra* note 253 at 139 *et. seq.* and Gordon, *supra* note 291. The unfair competition proposal is discussed *supra* text accompanying notes 283-297.

³³⁴ See Reichman and Samuelson, *ibid.* at 102.

³³⁵ See *supra* text accompanying notes 323-326.

As noted earlier, the more recent bill before the U.S. Congress, Bill H.R. 2652, October 9, 1997 (Coble), takes the different option of relief by way of “unfair competition”. Furthermore, as Bill H.R. 3531 (Moorhead) was introduced in the previous (104th) Congress, it has now lapsed. A bill of that nature could, of course, be re-introduced in the current Congress.

PART III: IDENTIFICATION OF KEY DATABASE PROTECTION ISSUES IN THE NEW TECHNOLOGICAL AGE

The following issues are identified as principal matters requiring attention in the context of database protection in the current and future technological age. The list draws upon the discussion in Part I and Part II of this Study.

1. General Legal and Policy Issues

(a) Global and regional (e.g. NAFTA) harmonisation of law in these areas should be pursued as far as practicable.

(b) With or without substantial harmonisation, issues of jurisdiction should be addressed. Approaches including national treatment, reciprocity, or private international law should be considered.

(c) Changes in law, especially the recognition of new areas of proprietary exclusivity, such as in the protection of the data in databases, should be evaluated in economic terms to determine whether, or to what extent, exclusive rights will return beneficial economic consequences. For example, what extent or nature of legal protection of data or contents of databases is necessary to encourage the creation and maintenance of high quality databases and to ensure a level of accessibility that is reasonable in the public interest.

(d) The inter-relatedness of the objectives of intellectual property protection and those of competition or anti-trust law should be considered not only nationally, but internationally. This is of significant importance if legal proprietary protection is to be afforded to holders of data or information, particularly if the holder is the sole source of that information or data.

(e) Within the context of database protection, consider the options of:

(i) Copyright protection, being focused on selection and arrangement, as adequate protection for a database compiler;

(ii) Unfair competition relief focused on conduct that would destroy or seriously prejudice the market of the database maker and is outside of normal competitive practices within a marketplace; and

(iii) *Sui generis* protection of data or contents of a database in favour of the database compiler or maker.

(f) In addition, consider the circumstances in which use of criminal law sanctions are warranted will need to be considered. Criminal law sanctions are contemplated in Article 21 of the WIPO Draft Treaty. They are not contemplated in the EDD.

(g) Given that database protection encompasses many areas of law, both federal and provincial, the type of protection that is adopted must be within the legislative capacity of the level of government concerned. There may be conflicts within the respective constitutional jurisdictions of levels of government of countries within a regional trading bloc. For example, as between Canada and the United States, federal jurisdiction would appear to be available in Canada for implementation of an international *sui generis* model of protection, but less so with respect to an unfair competition model; the opposite scenario has been contemplated with respect to United States federal legislative capacity.

2. Specific Legal and Policy Issues

(h) Key definitional issues should be dealt with in any legislation. For example, when is a database “complete” for the beginning of any term or duration of protection? A database is an ongoing and changing commodity, comparable to a fund with money flowing in and out. Is new data to simply “blend into” the term of protection of the original data? Might an input be so substantial as to constitute a new database with a new period of protection.

(i) Should some data, such as non-confidential information held by governments or public authorities, be declared public domain data or information?

(j) The inclusion within the “extraction” right under both the EDD and the WIPO Draft Treaty includes “permanent or temporary transfer” of data. The scope of a “temporary” transfer needs elaboration. This expression would seem to relate to the issue of whether “browsing” on the Internet constitutes a copyright infringement. Further clarification is desirable.

(k) The presence of illegality attaching to data or contents of a database and the potential consequence of a denial of copyright (and logically any *sui generis* right) to the database itself, is indicated in some authorities. Difficult conceptual and policy issues will require attention. Of particular concern is whether the presence of data or material that infringes copyright will cause copyright (or any *sui generis* right) in the database itself to be denied. Data may also be tainted by illegality for other reasons, e.g. by breach of confidence or by reason of violation of the general criminal law, say, because the contents are obscene.

(l) The balancing of database protection and users’ rights of access to data may need ongoing attention. Generally, the more extensive the proprietary right, the greater the need for exceptions to be created. This is particularly so with any proprietary right in the data itself as opposed to an unfair competition proceeding, which is inherently limited to “competitors”.

3. Future Monitoring and Review

(a) Addressing the WIPO Information Meeting on Intellectual Property in Databases in Geneva on 17/19 September, 1997, the European Commission submitted:

“the issue [of database protection] assumes a particular importance because of the rapid evolution of technology, particularly in relation to the techniques applied to the compilation, communication and commercialisation of electronic databases. Not only have new technological applications produced a revolution in the size and uses to which databases can be put, but these applications are at the very source of the Internet itself, which depends in large part on the databases which feed the system; just as the Internet and related infrastructures of the Information Society depend on software and communications technology. Therefore databases play a central role and their economic importance is steadily increasing.”

(b) To ensure the law, nationally and internationally, continues to provide effective protection for creation and effort of value to society, as well as to ensure that accessibility is maintained in the public interest, regular monitoring and review of technical and legal developments should be maintained nationally and internationally. Effective mechanisms will need to be established to meet this need. Participants will not only need to deal with legal and policy issues that range across many, formerly distinct, areas of law; but also across many types of technologies, especially with the convergences in the telecommunications industry and the convergence of that industry with the computer industry. As the European Commission has noted, databases play a central role within such a framework.

APPENDIX I - TERMS OF REFERENCE FOR A LEGAL STUDY ON DATABASE PROTECTION

PURPOSE

Produce a legal study on the extent of database protection in Canada as afforded by Canadian legislation and case law.

OBJECTIVES OF THE STUDY

1. Determine the extent of the protection of databases (traditional or based on new media) in Canada, in light of legislation and case law.
2. Examine appropriate legislation and case law in the United States and the countries of the European Union, and their repercussions on the principal stakeholders.
3. Identify database protection issues in the new technological environment.

DIRECTIVES FOR THE STUDY

The report shall describe as objectively as possible the extent of protection accorded to databases, taking into account such questions as the definition of databases, the concept of originality and the duration of protection. In addition, the impact of this protection, whether under intellectual property or other legislation, on the different stakeholders (producers, distributors and users) shall be described upon the expiry of responsibility.

BACKGROUND

Database products and services are growing in importance in the global knowledge-based economy. Increasingly, the compilation of information is being digitized, offering Canadian businesses and citizens new opportunities to play a variety of roles, such as producer, distributor, seller and reseller, and user of databases.

However, technology makes it possible to easily reproduce and integrate these databases with other products. The investment and effort required to create them might then lose all value if they are not adequately protected by a range of measures, such as legislation.

The protection of databases poses a special problem. To serve their purpose, databases must be designed so that the information sought can be located easily and quickly. The considerable ingenuity that went into their creation is not always evident in the final result. This poses a problem given the obligation to comply with the criterion of originality so as to obtain the protection of the *Copyright Act*.

Various countries and international organizations have examined the issue of the legal protection of databases.

The member countries of the European Union have adopted a directive which offers copyright and *sui generis* protection to electronic and non-electronic databases. The member countries were required to amend their respective legislation so as to comply with this directive of January 1, 1998.

The question has prompted passionate debate in the United States, especially since the Supreme Court decided in *Feist Publications Inc. v. Rural Telephone Services Co. Inc.* [1991], 18 U.S.P.Q. (2d) 1275 (S.C.)] that a telephone directory was not protected by copyright when organized in a "habitual" manner. According to the Supreme Court, copyright covers only the selection, co-ordination and arrangement of data as carried out in an original manner. The test of "sweat of the brow" alone was thus specifically rejected.

In 1996, representative Carlos Moorhead tabled Bill HR 3531, "The Database Investment and Intellectual Property Anti-Piracy Act of 1996." This bill was never passed because of numerous criticisms and doubts as to its constitutionality. In October 1997, Howard Coble tabled Bill HR 2652. There are certain similarities between these bills and the European Directive. These two bills are part of a context in which other bills on intellectual property protection have also been introduced, either in the House or the Senate. No legislation has as yet been passed concerning databases.

Furthermore, it should be noted that the U.S. Copyright Office has released a study summarizing the American situation and describing the main issues for U.S. society.

In Canada, the courts have considered the issue of database protection on several occasions. A first trend in case law granted legal protection to databases fairly easily by referring to a minimum level of originality. Judges considered the level of agility, work or judgment necessary in the selection and arrangement of the compilation elements in order to decide on protected character. The doctrine of "sweat of the brow" was accepted and widespread (see in this regard *British Columbia Jockey Club v. Standen* (1983) 73 C.P.R. (2d) 164, Legg J. (B.C.S.C.)).

However, the Federal Court of Appeal recently followed the "logic" of *Feist* and confirmed the judgment at first instance to the effect that compilations were protected only if they were original in their selection and organization. In so doing, it also rejected the doctrine of "sweat of the brow" as a basis for protection (see *Télé-Direct (Publications) Inc. v. American Business Information Inc.*, Federal Court of Appeal, October 27, 1997, A-553-96).

Industry Canada and the Department of Canadian Heritage have commenced research and consultation on the protection of databases related to intellectual property. Last September, they invited those primarily involved to take part in discussion groups in Montreal, Toronto and Vancouver. At the same time they forwarded to them the draft terms of reference for the entire project, which they published on Strategis, the Industry Canada Internet site, and they invited them to send written submissions on the issue.

This legal study falls within the initial (fact-finding) stage of the work preliminary to development of a database protection policy. The subsequent stages will be identification of problems and identification of solutions relating to database protection in Canada.

LEGAL FRAMEWORK

- Berne Convention
- Provisions of NAFTA
- TRIPs provisions
- American and European proposals filed with the WIPO, Basic Proposals prepared by the WIPO for the Diplomatic Conference in December 1996, and reports of the Information Meeting on Intellectual Property in Databases of September 1997
- Bills in the United States
- European Directive
- Case law
- Other legislative, regulatory or legal instruments: e.g. legislation on trade practices (unfair competition...), contracts, Criminal Code provisions, trade secrets, misappropriation.

APPENDIX II - DATABASE PROTECTION TERMS OF REFERENCE

29-08-97

PURPOSE

To review a series of issues related to database protection under Canadian intellectual property legislation. The following aspects will be covered: technologies, industry, markets, domestic and international legislation, as well as policy models in Canada and other countries.

OBJECTIVES (subject to the purpose above)

In a first instance:

- . Describe database-related activities with respect to the value chain (i.e., creators and rights owners, producers, distributors, sellers/resellers and users) and their role in Canada's economy and society
- . Examine technologies and market practices, legislation and appropriate case law in Canada and abroad, as well as their possible impacts on Canadian stakeholders, with respect to database protection

As a second step:

- . Describe and discuss the issues to be resolved with respect to database protection
- . Examine priorities

As a third step:

- . Elaborate policy options

As a final step:

Develop recommendations

GUIDELINES

This initiative aims at helping participants in the database products and services value chain better understand the nature and rationale for policies regarding protection of databases (electronic and traditional) and at facilitating decisions as to any follow-up with respect to possible improvements of such protection.

The main focus of this initiative is to examine, in the context of growing databases in a global knowledge-based economy, the adequacy of the protection afforded to databases:

- . to foster economic growth in Canada including attracting innovation and investment and generally promoting trade and employment;
- . to ensure database industry competitiveness;
- . to meet Canadian social, economic, industrial and cultural policy objectives;
- . to facilitate continued information access by Canadians, including to world-class database products and services at competitive prices.

This initiative will assist government in developing its positions domestically and in international fora.

BACKGROUND

Database products and services are growing in the global knowledge-based economy. Increasingly, the compilation of information is being digitized, offering Canadian businesses and citizens with new opportunities to play various roles, such as producers, distributors, sellers or re-sellers, as well as users of databases.

Internationally, the World Intellectual Property Organization (WIPO) has organized an information session on database protection on September 17, 18 and 19, 1997 in Geneva, which Canadian government officials will attend. Also of note, the Copyright Office of the United States has released a study on databases and countries of the European Union will be implementing a Directive on the protection of databases effective January 1, 1998.

ISSUES

The issues to be clarified include, *inter alia*,

- . what are the technologies (hardware and software) that are used to create and manage databases for revenue generation as well as for internal purposes;
- . what are the present and anticipated technologies and practices to protect databases from unauthorized uses;
- . who are the main players domestically and abroad;
- . what are the main markets domestically and abroad for database products and services, as well as for data and facts (including the value of data and facts at time of sale and over time);
- . what are the trends in production and distribution activities (on-line, CD-ROM and non-digital, e.g. print) and in-house generation of data;
- . what is the basis for a stronger Canadian industrial capacity in database products and services;
- . what are the key access issues, e.g., with the protection of databases containing first-generation data and facts;
- . what is the present domestic regime with respect to intellectual property protection of databases, its rationale and possible dysfunctions, and to what extent could or should desired changes be addressed in the present copyright protection system;
- . what are the issues and policy models being examined or implemented in foreign countries;
- . what impact do key implementation mechanisms have on: access; personal information; upstream, parallel and downstream industries; anti-competitive behaviour; creators and copyright owners; cost/price; investment attraction; public and private sector information holdings; non-commercial databases;
- . what scenarios can be envisaged if Canada does not increase protection, while its major trading partners do or conversely if Canada increases protection and major trading partners, do not?

INPUT REQUESTED FOR FIRST STEP, PREFERABLY BY NOVEMBER 15, 1997

Please review issues described above in the context of the purpose, as well as the two objectives defined for the first step, i.e.,

- . Describe database-related products and services with respect to the content value chain (i.e., creators and rights owners, producers, distributors, sellers/resellers and users) and their role in Canada's economy and society
- . Examine technologies and market practices, legislation and appropriate case law in Canada and abroad, as well as their possible impact on Canadian stakeholders, with respect to database protection

Subsequent steps will begin, once the first step is completed.