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## Roundtable Panel I: Database Protection

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## Panel I: Database Protection

Moderator: Hugh Hansen<sup>\*</sup>  
Panelists: Robert Eisenbach<sup>\*\*</sup>  
Lisa Ferri<sup>\*\*\*</sup>  
Robert Gibbons<sup>\*\*\*\*</sup>  
Charles Sims<sup>\*\*\*\*\*</sup>  
John Cotter<sup>\*\*\*\*\*</sup>

MR. PENNISI: This is our first panel discussion, concerning the implications of database mining and whether collections of information should be afforded statutory protection. The discussion will be preceded by five minutes of remarks by each panelist and followed by general discussion among the panel and questions from the audience.

Our database panelists are:

Bob Eisenbach III, who is a partner in the Creditors' Rights and Bankruptcy and Internet practice group of Cooley Godward and is a member of the firm's Litigation Department. He joined the firm in 1986 and works in the San Francisco Office. Mr. Eisenbach's practice is concentrated in the areas of creditors' rights, bankruptcy, and Internet and commercial litigation. Mr. Eisenbach represents clients in a wide variety of commercial litigation cases, including Internet-related litigation, copyright infringement, trademark infringement, real estate, and other business disputes.

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Hugh Hansen is a Professor of Law at Fordham University, where he has been teaching since 1978. Professor Hansen primarily concentrates on constitutional, copyright, trademark, and international and comparative copyright law. For the past eight years, Professor Hansen has hosted an annual conference on the state of international intellectual property law and policy at Fordham, and he is a frequent source of advice for the *Fordham Intellectual Property, Media & Entertainment Law Journal*.

Lisa Ferri and Rob Gibbons are partners at the intellectual property firm of Hopgood, Calimafde, Judlowe & Mondolino, practicing in the areas of patents, trademarks, and copyright law. They provide litigation and transactional services to clients in a full range of areas impacting the Internet, including e-commerce, entertainment, and publishing. They have recently published articles pertinent to today's discussion regarding database collections in the September, 2000 issue of *Intellectual Property Today* and the July 20th edition of *E-commerce Weekly*.

Chuck Sims is a partner in the Litigation and Dispute Resolution departments of Proskauer Rose, where he concentrates on copyright and First Amendment issues. In the realm of copyright, Mr. Sims has worked on matters for the publishing, motion picture, and music industries. On database issues, he has represented Lexis-Nexis in the *West* cases in the Second Circuit,<sup>1</sup> in the *Matthew Bender v. Jurisline* case,<sup>2</sup> and in the class actions following the *Tasisi* decision.<sup>3</sup>

And finally, John Cotter is a partner of Testa, Hurwitz & Thibeault in the Patent and Intellectual Property Practice group. Mr. Cotter specializes in the protection and enforcement of intellectual property rights, particularly in the areas of counseling, technology litigation

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<sup>1</sup> *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 674 (2d Cir. 1998) (holding that copyright protection does not extend to information that is merely rearranged in a manner that is "lacking even minimal creativity").

<sup>2</sup> *Matthew Bender & Co. v. Jurisline.com*, 91 F. Supp. 2d 677 (S.D.N.Y.) (holding that violations of a "shrinkwrap" agreement are not copyright violations, but rather breach of contract and fraud).

<sup>3</sup> See *Posner v. Gale Group, Inc.* No. 00 Civ. 7376 (S.D.N.Y. filed Sept. 28, 2000); *Authors Guild v. The Dialog Corporation*, No. 00 Civ. 6049 (S.D.N.Y. filed Aug. 15, 2000); *Laney v. Dow Jones & Co.*, No. 00 Civ. 9411 (S.D.N.Y. filed Aug. 21, 2000).

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and the licensing of patents, trademarks, and copyrights. Mr. Cotter is presently lead counsel for the auction aggregator Bidder's Edge in its dispute with eBay.com pending in the Northern District of California and the Ninth Circuit.<sup>4</sup>

Professor Hugh Hansen will begin.

PROFESSOR HANSEN: Thank you, Chris, very much, and congratulations on putting together an excellent program. We have a very distinguished panel. Thank you for inviting me to participate. My job is just to moderate and provide a brief introduction.

The history of database regulation traces back to Fordham. In 1991, Jean Francois Verstrynge was at Fordham teaching as a guest in our European Community Center. He was the head of DGIIIÆ-4, which then was the head of copyright in the Commission of the European Community, now the European Union. When *Feist v. Rural Telephone Service Co., Inc.*<sup>5</sup> came down, I gave him a copy of the decision. He looked at it and said, "Uh-oh, we've got to change our directive." At the time, there was a proposed directive which just covered copyright, and included no *sui generis* law.<sup>6</sup>

So, interestingly, a U.S. Supreme Court decision probably had more effect on European Union law than it has had on U.S. law, at least to date, in inspiring a *sui generis* provision. It took a long time to produce this provision in the European Union — not because people were worried about too much protection, but because the U.K. people and other database owners thought it was not protective enough, that there were too many exceptions. Five years later it was finally passed in 1996.<sup>7</sup>

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<sup>4</sup> eBay, Inc. v. Bidder's Edge, Inc., 100 F. Supp. 2d 1058 (N.D. Cal. 2000), *appeal docketed*, No. 00-15995 (9th Cir. Mar. 31, 2000) (voluntarily dismissed Mar. 5, 2001).

<sup>5</sup> 499 U.S. 340 (1991) (holding factual compilations may possess required originality to qualify for copyright purposes if choices of selection and arrangements are independently made with a minimal degree of creativity).

<sup>6</sup> See Commission of the European Communities, Proposal for a Council Directive on the Legal Protection of Databases, COM (92) 24 Final- SYN 393, art. 1 (1992). For a discussion on the evolution of the European Database Directive, see J.H. Reichman and Pamela Samuelson, *Intellectual Property Rights in Data?*, 50 VAND. L. REV. 51 (1997).

<sup>7</sup> See Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the Legal Protection of Databases, 1996 O.J. (L 77) 20 ("Database Directive").

In 1996, the U.S. Government introduced, through Congress, a database bill that was largely based upon the EU Database Directive.<sup>8</sup> Unfortunately for the proponents of that bill, it came right at the time of the Diplomatic Conference on the WIPO copyright treaties. For those treaties the technical digital industries had bulked up — AT&T, MCI, other lobbyists, a lot of money — in anticipation of the consideration process of the treaties in Geneva, and as a by-product were prepared for the U.S. database bill and were able to kill it. It came back in the next Congress, much revised, as a misappropriation bill of the type that we have now in H.R. 354.<sup>9</sup> It did not get through that Congress and the current version is probably not going to get through this Congress either.

The Commerce Committee added H.R. 1858, which was introduced, I believe, in May of 1999.<sup>10</sup> This legislation, which is purportedly there to protect databases, really would dramatically reduce the protection we have for databases even today, without the bill.

I think there are a number of issues which people might want to address. One of the nice things about the bills being stalled is, today,

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<sup>8</sup> The Consumer and Investor Access to Information Act, H.R. 1858, 104th Cong. (1996).

<sup>9</sup> H.R. 354, 106th Cong. (1999) (“The Coble Bill”). The Collections of Information Antipiracy Act creates civil liability for making all or part of an electronic collection of information available to the public, where the unauthorized publication causes material harm to the database creator’s markets. However, the bill protects the making available or extraction of information from databases for illustration, explanation, example, comment, criticism, teaching, research, or analysis if reasonable under the circumstances. Similarly, making data available for nonprofit educational, scientific, or research uses that does not materially harm the primary market for the product or service does not create liability under the Act. H.R. 354 specifically excludes from liability the extraction of an individual item of information or other insubstantial part of a collection of information. Finally, making available or extracting information for verification, news reporting, transfer of copies by the owners of lawfully made copies, searching genealogical information for nonprofit or religious purposes, or private, noncommercial purposes and investigative, protective, or intelligence activities are all protected uses of databases. H.R. 354 also exempts government collections of information and pieces of software from consideration as “collections of information.”

<sup>10</sup> Consumer and Investor Access to Information Act, H.R. 1858 106th Cong. (1999) (“The Bliley Bill”). H.R. 1858 would create civil liability for public distribution of any part of a database for any reason other than news reporting, law enforcement, scientific or educational purposes.

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nine years after *Feist*, we can address certain questions. Do we really need a database bill? Has the database industry been able to survive on various theories, including breach of contract or ‘shrinkwrap’ license agreements and trespass? And finally, would it be constitutional to attempt to bypass copyright law and go to some sort of misappropriation law under the Commerce Clause?<sup>11</sup>

On the other hand, because the European Union has passed its directive, we have a “laboratory” in Europe testing the effects of database protection. The directive, which is much more restrictive than the proposed bill from the House Judiciary Committee, was passed and adopted in 1996 and the Member States have implemented it.<sup>12</sup> We can begin to see what effect this European database effort has had on the public domain. So time will answer some of the questions that we have been debating all these years.

These are all interesting issues, and I am sure there are others that our panelists want to address. Without further ado, let’s go to the panel. Why don’t we start out with Mr. Eisenbach?

MR. EISENBACH: First of all, I would like to thank the *Fordham Intellectual Property, Media & Entertainment Law Journal* and the School of Law for inviting me to be a member of this panel and for hosting this very timely symposium. It is a pleasure to be here with you.

This panel’s topic focuses us on the implications of database mining and consideration of whether such databases should be given statutory protection.

The worldwide network that is the Internet enables any computer to access data virtually anywhere in the world on any other computer or server.<sup>13</sup> This permits an individual or business to mine, or even wholesale copy, a database built through the energy and investment of another far more easily than has ever been possible.

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<sup>11</sup> U.S. CONST. art. I, § 8, cl. 3.

<sup>12</sup> See Database Directive, *supra*, note 6 .

<sup>13</sup> See *Reno v. ACLU*, 521 U.S. 844, 850 (1997) (discussing the nature and genesis of the Internet).

The mechanism by which database mining takes place I think is critically important in understanding the analysis of the issue. While CD-ROMs certainly can be copied and uploaded, in the Internet realm, database mining more often involves the use of a software program, commonly known as a “robot,” a “spider,” or a “crawler.” This software robot accesses the computer system of the database owner and “crawls” and copies data from a system tens — or even hundreds of thousands of times a day.<sup>14</sup>

In *eBay, Inc. v. Bidder's Edge, Inc.*,<sup>15</sup> the district court found that Bidder's Edge sent requests or crawled the eBay computer system between 80,000 and 100,000 times per day before it was enjoined.<sup>16</sup> My law firm, Cooley Godward, and my colleagues, Janet Cullum and Gary Ritchey in particular, have led eBay's legal team in that case, as a point of disclosure.

Such crawling intermeddles with and uses a computer system, its bandwidth, and other resources associated with it. It can lead to a degradation of service for the users of the Web site, or even the complete shutdown of the Web site.

This intermeddling and unauthorized use of another's computer system is a trespass. Judge Whyte, the district judge in the *eBay* case, held, and I quote, “The law recognizes no such right to use another's personal property.”<sup>17</sup> The protection of such property rights is, and has been, fundamental to our economic system. The right to exclude others from using one's property is perhaps the quintessential property right, whether it be personal or real property.

Today's information economy has been built by enterprising businesses investing heavily in the development of databases and other information and the computer systems that permit them to function. Database miners “free-ride” off the investment of others

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<sup>14</sup> *eBay, Inc. v. Bidder's Edge, Inc.*, 100 F. Supp. 2d 1058, 1060 (N.D. Cal. 2000) (discussing the nature and operation of software robots or “spiders”).

<sup>15</sup> 100 F. Supp. 2d 1058 (N.D. Cal. 2000) (granting a preliminary injunction preventing Bidder's Edge, an internet-based auction aggregation site, from accessing eBay's computer system by use of any automated querying program without plaintiff's written authorization).

<sup>16</sup> *Id.* at 1071.

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

by using their property — their computer systems — without permission. Under the existing law of trespass to chattels — or perhaps real property, under the often-used analogy of cyberspace to the bricks and mortar world, a database miner simply has no right to use another's property.

When measures to block access of the Internet protocol addresses for the database miner fail, unauthorized use can and should be enjoined.

The trespass cause of action is not preempted under Section 301 of the Copyright Act,<sup>18</sup> because the gravamen of the trespass claim does not involve any of the exclusive rights of Section 106.<sup>19</sup> Its focus is on the use of, or intermeddling with, personal physical property, not the reproduction or distribution of or the making of derivative works from copyrighted works. The extra element present and required to avoid preemption is that of unauthorized use of a tangible computer system, not the intangible copyright.

Database mining, however, does implicate the issue of protecting the underlying database. As our economy moves more and more towards reliance on information, databases and other collections of information take on greater importance. These databases require substantial investments to create, they provide value to the users of the databases, and they are worthy of protection.

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<sup>18</sup> 17 U.S.C. § 301(b)(3) (2000).

<sup>19</sup> 17 U.S.C. § 106 (2000). The statute reads as follows: Subject to sections 107 through 121, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

At the same time, as we know, the Internet and the digital format of these databases makes them far easier to copy. Indeed, entire databases can be crawled, copied, and presented by another Web site through the use of these software robots in a very short period of time. This is far different from having to manually input data from telephone books or other hard-copy data compilations.

This new ease of copying increases the risk of free-riding. Database free-riding exists when third parties enjoy the benefits of databases without investing the time, money, and effort in creating them. Without sufficient barriers to free-riding, companies will be discouraged from making the investments needed to create these databases in the first place.

Although existing copyright laws provide some protection to database compilations, the Supreme Court's *Feist*<sup>20</sup> decision, which involved a compilation outside of the Internet context, raises serious questions about the scope of those protections.

As such, new statutory protections for databases should be enacted. H.R. 354, the Collections of Information Anti-Piracy Act, is an important legislative proposal that would protect collections of information "gathered, organized, or maintained by another person through the investment of substantial monetary or other resources" from anyone who extracts or makes all or a substantial part of that collection available without permission.<sup>21</sup>

The Act contains a number of exclusions, including a fair use-type exclusion, and one clarifying that anyone may create their own database of the same underlying facts as long as they do so through the investment of their own time and money, and not someone else's.<sup>22</sup> Such protections benefit not only the owners of the databases, but also the economy as a whole. Knowing that the collections they create will be protected, entrepreneurs will invest in their creations. Our economy has succeeded by protecting property rights, rather than allowing others to free-ride. The same

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<sup>20</sup> *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991).

<sup>21</sup> H.R. 354, 106th Cong. § 1402 (1999).

<sup>22</sup> H.R. 354, 106th Cong. § 1403 (1999).

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fundamental principles that have served us well in protecting physical property in the old economy apply equally to protecting information property in the new economy.

MS. FERRI: Good morning.

I would like to offer a few background thoughts to today's discussion. Unlike the issues that will be discussed here this afternoon — namely, protection of digital audio and visual works — the issue of protection of databases and compilations has been with us for hundreds of years.

Here in the United States, compilations of data have enjoyed some form of legal protection since the inception of our statutory copyright laws. The rationale followed by courts for many years was that the law should protect the efforts and investment of the compiler — in other words, his or her “sweat of the brow.”<sup>23</sup>

With the 1991 decision of the Supreme Court in *Feist Publications*, “sweat of the brow” was repudiated and originality became the touchstone of copyright protection in compilations.<sup>24</sup> The Court found that there could be no copyright in facts themselves, only where there is some originality in the arrangement or selection of those facts.<sup>25</sup> Following *Feist*, owners of non-creative databases were left with little protection.

With the recent developments in software and digital technology and the advent of the Internet, a compiler's ability to create important databases is greatly enhanced, but so too is a second comer's ability to copy and disseminate a database cheaply and quickly.

The Internet has made databases a multi-billion dollar industry, and clearly databases form an integral part of the e-commerce boom we are all witnessing. For these economic reasons, the protection of databases has become so pressing.

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<sup>23</sup> See, e.g., *Leon v. Pacific Tel. & Tel. Co.*, 91 F.2d 484 (9th Cir. 1937); *Jeweler's Circular Publ'g Co. v. Keystone Publ'g Co.*, 281 F. 83 (2d Cir. 1922).

<sup>24</sup> See *Feist*, 499 U.S. at 359.

<sup>25</sup> See *id.*

Recently we have seen a spate of cases involving databases which illustrate the ongoing dispute between protection of property and the interests of public access. Ticketmaster, My Simon, Monster.com, and eBay have all sued — or threatened suit — to stop other sites from searching their databases on the Web and linking to their sites.<sup>26</sup> Clearly, the technologies of the Internet have caught us off guard and without clear legal solutions.

Therefore, data providers have sought to protect their assets through a patchwork of measures, none clearly foolproof. For instance, data providers have looked to technology as a first line of defense and have tried, encryption, password protection, digital signatures, or restricting by code those who can use a file or enter a site.

But technology alone is not the answer, as it continually changes. In *Ticketmaster Corp. v. Tickets.Com, Inc.* for example, Ticketmaster's ability to block Tickets.com's hyperlink to its interior pages was gained and lost while the case was pending.<sup>27</sup>

Another avenue of protection which has gained popularity is contract in the form of "shrinkwrap" or "clickwrap" agreements. A "shrinkwrap" agreement was used successfully against Jurisline.com in defeating a preemption claim in the recent New York case involving copying and dissemination of the Lexis database.<sup>28</sup> In contrast to that case and the *ProCD* decision,<sup>29</sup> however, other courts have found state actions based on shrinkwrap agreements preempted by the Copyright Act. A data compiler, therefore, may be unprotected, depending on the court he or she ends up in.

Trespass is the latest creative tactic used by compilers. It turned up both in *Ticketmaster* and *eBay v. Bidders Edge*, with different

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<sup>26</sup> See, e.g., *Ticketmaster Corp. v. Tickets.Com Inc.*, 54 U.S.P.Q.2D (BNA) 1344 (C.D. Cal. 2000), 2000 U.S. Dist. LEXIS 12987 (C.D. Cal. Aug. 10, 2000) (injunction denied); *eBay, Inc. v. Bidder's Edge, Inc.*, 100 F. Supp. 2d 1058 (N.D. Cal. 2000) (motion to deny counterclaims denied).

<sup>27</sup> See *Ticketmaster*, 54 U.S.P.Q.2D (BNA) at 1344.

<sup>28</sup> See *Matthew Bender & Co. v. Jurisline.com*, 91 F. Supp. 2d 677 (S.D.N.Y. 2000).

<sup>29</sup> *ProCD v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996) (holding that shrinkwrap licenses are treated as a contract between private parties and thus unaffected by the preemption clause of Section 301(a) of the Copyright Act).

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results.<sup>30</sup> We will have to wait through the appeal process to see if trespass offers new ammunition to data compilers.

But there is already criticism that the decision may have a far-reaching and detrimental effect on how people access and use information on the Internet. Both sides of this debate are also looking to Congress to enact legislation that will balance the needs of database owners with the public's need for open and free access to information. The solution is still far off, as there is not full agreement as to whether the issue should be determined by the courts, the legislature, or the industry itself.

PROFESSOR HANSEN: Thank you very much.

Robert Gibbons?

MR. GIBBONS: Good morning. I would also like to thank Chris Pennisi and the hosts of today's Symposium for inviting us to attend. It is a privilege and an honor to be here today.

When Jesse Feder spoke earlier today, he alluded to the "Brave New World of the Internet," and I think it is sometimes helpful for us to realize the magnitude of what we are dealing with here, and sometimes it is helpful when you are trying to figure out where you are going to look back to where you have been.

It was thirty years ago that Alvin Toffler wrote his runaway best-seller book *Future Shock*, and in it he observed the impact of the computer.<sup>31</sup> This book was written in 1970. Toffler commented on the impact of the computer: "With its unprecedented power for analysis and dissemination of extremely varied kinds of data in unbelievable quantities and at a mind-staggering speed, it has become a major force behind the latest acceleration in knowledge acquisition."<sup>32</sup> That was thirty years ago. That statement holds true exponentially with respect to the Internet and the world of online communication.

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<sup>30</sup> See *Ticketmaster*, 54 U.S.P.Q.2D (BNA) at 1344 (finding state trespass claims preempted by the Copyright Act); cf. *eBay*, 100 F. Supp. 2d at 1066-67 (finding eBay had a likelihood of success on the merits of state trespass claims).

<sup>31</sup> Alvin Toffler, *FUTURE SHOCK* (1970).

<sup>32</sup> *Id.* at 28-29.

What we have to wrestle with is, how do we protect property rights — and should there be property rights — in databases? In order to do that, we have to recognize that there is an ongoing tension of interests between those who compile databases, who want to assert a property right, and those who want to use them at minimal to no cost, even for competitive purposes.

In assessing whether or not there should be protection, we are going to need ground rules, and we need to negotiate those ground rules. That is probably going to be an ongoing process not disposed of with any one legislative effort or tweaking of common law or copyrights. It is a challenge that we all must undertake.

I think it is useful to look at Clause 8, the Copyright and Patent Clause of the Constitution, which states that Congress has the power to “promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”<sup>33</sup>

A database is a “work” within the subject of copyright because it is a compilation, as defined by 17 U.S.C. § 103.<sup>34</sup> The entire work comes within the statute, even though its discrete content may not.

But the Supreme Court has unequivocally ruled on this issue in two decisions. In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*<sup>35</sup> the Court struck down a Florida statute giving patent-like protection to unpatented direct-molding processes for making boat hulls. In *Feist*,<sup>36</sup> the Court struck down an attempt by the plaintiff to use its

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<sup>33</sup> U.S. CONST. Art. I., § 8, cl. 8.

<sup>34</sup> The Copyright Act, 17 U.S.C. § 103 (2000). The statute reads as follows:

(a) The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

*Id.*

<sup>35</sup> *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989).

<sup>36</sup> *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991).

copyright in combined white and yellow page directories to prohibit the defendant from making a compilation using the alphabetically-arranged names, addresses, and phone numbers from its white pages. In so ruling, as William Patry of Cardozo University has observed, the Court unequivocally stated that originality is the standard by which we decide whether something is copyrighted and, hence, protected, or whether or not it is a publicly-available material because it lacks the requisite originality.<sup>37</sup>

I think what we have to recognize is that originality, as the Supreme Court has defined it, is the touchstone. We have to keep that in mind when we say, “Well, people have worked hard to compile these databases,” and advocate legislative action. The risk of these various legislative proposals is over-protection because they sweep in facts and non-original data with thin copyright protection for the selection and arrangement elements that may arguably be original. So, there is a danger with the *sui generis* proposals, such as the Coble Bill<sup>38</sup> — and the Bliley Bill<sup>39</sup> even, which is far more narrow — to lock up the building blocks of facts and ideas that we need to promote knowledge, to promote science, and do an end-run around *Feist* and the Constitution in the process.

It is appropriate here to read a very pertinent portion of *Feist*, which states that: “Raw facts may be copied at will. This result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science.” That is Justice O’Connor writing in *Feist*.<sup>40</sup>

She also wrote in *Bonito Boats*: “For almost one hundred years, it has been well-established that in the case of an expired patent, the federal patent laws do create a federal right to copy and use.”<sup>41</sup>

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<sup>37</sup> See William E. Patry, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 GEO. WASH. L. REV. 359, 360-61 (1999).

<sup>38</sup> Collections of Information Antipiracy Act of 1999, H.R. 354, 106th Cong. (1st Sess. 1999).

<sup>39</sup> Consumer and Investor Access to Information Act of 1999, H.R. 1858, 106th Cong. (1st Sess. 1999).

<sup>40</sup> *Feist*, 499 U.S. at 349.

<sup>41</sup> *Bonito Boats*, 489 U.S. at 165.

Thus, the Supreme Court has ruled that the public has a right, under Clause 8, the Patent and Copyright Clause, to copy, to reap where it has not sown, if the harvest is of unoriginal material. I think we have to keep that in mind.

While I am not saying that we do not need to continue to look at legislative endeavors and try to strike a proper balance between the competing interests of the database compiler and those who wish to use it, we have to do so without throwing out our jurisprudence, because the proper balance is originality. That is what the Constitution provides; that is what the Supreme Court has ruled. We should only give recognition to original elements of a database. Whether that is through careful encryption techniques or what have you, we should not lock up basic facts and information that we all need to do our work, to make other works, and add to the environment.

In closing, I would just like to throw out a couple of considerations that I found interesting in preparing for today, some things that we ought to consider in connection with evaluating the Coble Bill, the Bliley Bill, and the European Directive.

A lot of these rationales replace originality as the vanguard between original and unoriginal material — and, hence, private rights versus public rights — with a very wishy-washy standard, which is “substantial investment.” Now, isn’t this just a reinvention of the “sweat of the brow” doctrine? I think, in part, that it is.

One of the things we should look at is whether the rationales for statutory protection assume that only one database author exists from which consumers want to buy or access. They tend to ignore the costs of giving a monopoly to the first subscriber, the impact of that cost on subsequent authors and on the public. When you lock up the facts and charge a high rate for access, you are limiting the ability to create new works.

Also, I think these measures fail to account for the empirical evidence out there, which is that since *Feist* was decided in 1991, the number of databases, and the complexity of those databases, has grown, despite the very thin copyright protection available to those

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databases. I will just give you a couple of statistics.

According to Martha Williams, between 1991 and 1997, the number of databases increased by 35 percent, from 7,637 databases to 10,338, and the number of files in these new databases has increased from 4 billion to 11.2 billion, a 180 percent increase.<sup>42</sup>

These *sui generis* proposals ignore the availability of less sweeping measures, such as contract, shrinkwrap licenses, clickwrap licenses, and security and access control systems. They also negate the market realities that other users have. Each user has a lead-time advantage, although it may be increasingly small in the online world. They also have name recognition ability, so if you have a good name and a good reputation and you provide good service, you should be able to survive in the marketplace. You have advertising — Madison Avenue, thank you — and you also have value-added features, where you can enhance the product services that you offer and distinguish yourself from the competition.

We have many potential remedies and factors to weigh in evaluating whether we have to “gap fill” where the Supreme Court left off. Perhaps we do not need to do so in such a sweeping fashion as proposed by the Coble Bill.

Thank you.

MR. SIMS: The fundamental error, I think, in the previous remarks are a focus on protection of information along property lines, rather than, at least as the Judiciary Committee is moving toward, creating a cause of action for misappropriation.

I think Robert Eisenbach got it exactly right when he said the fundamental principle of justice which animates all of this search for protection is the ancient rule against free-riding, the notion that is endemic in many parts of our law and underlies many parts of it: that it is just wrong to reap where you have not sown. The theft of my house is a bad thing, as far as I am concerned, whether or not the house is original.

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<sup>42</sup> Martha E. Williams, *The State of Databases Today: 1998*, in GALE DIRECTORY OF DATABASES at xviii (Erin E. Holmerberg ed., Sept. 1997).

Standard & Poor's ("S&P") spends millions of dollars collecting real-time data, manipulating it, massaging it, recalculating it, presenting it. They sell it for very large amounts of money to brokerage houses and financial houses. Control over its dissemination is protected only by contract between S&P and its clients. Merrill Lynch and First Boston and others have agreed to pay thousands and thousands of dollars for that information because it is of great value to them. S&P thus has a strong incentive to control its dissemination. However, there is no legal recourse for interception of a data transfer. Why should somebody else be able to obtain that information for free merely because it consists of facts?

What underlies the Coble Bill is the recognition that there is a difference — an important one, and one that certainly avoids any constitutional problems — between the use of facts — individual or scattered facts — and wholesale piracy of an entire database. It is wholesale piracy, which digital technology has made so incredibly easy, which necessitates statutory protection of databases.

Now, I think to some extent misappropriation law, which is state law, would have been adequate had the courts applied the preemption doctrine in the way in which I think Congress meant it to be applied. But, as the Second Circuit's decision in the *NBA* case shows, the misappropriation doctrine has not fared well under preemption, and the courts have really given it a miserably narrow scope.<sup>43</sup> Longstanding misappropriation law prohibited wholesale information piracy until it was held in various circumstances to have been preempted.<sup>44</sup> And so, what we have is the spectacle of what Robert Eisenbach and his colleagues were reduced to in the *eBay* case: in every given case where you find wholesale piracy you have to tiptoe around preemption, dig out these old common law doctrines on misappropriation, pray that you get a judge who looks at the right line of preemption cases, and hope that the court will adopt your view that database protection is really not like copyright.

I think that eBay was marvelously successful in pitching its trespass theory, and I think if you look at some of the cases which

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<sup>43</sup> See *Ortiz Valle v. NBA*, 190 F.3d 598 (2d Cir. 1999).

<sup>44</sup> See generally, 17 U.S.C. § 301; *Bonito Boats*, 489 U.S. at 141.

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have held various common law causes of action are preempted, that same approach could have been used against them. I do not know the degree of confidence you all had.

I know in the case we had for Lexis-Nexis against Jurisline.com,<sup>45</sup> a huge amount of our time in litigating the case, organizing and strategizing, was devoted to the problem of surmounting a really niggardly approach to misappropriation in case law. We prevailed in the case because there was contract barring retransmission of Lexis data that the individuals who ran Jurisline had signed and then faxed back, luckily, six separate times with initials, so that we were able to rely on a contract claim.

The same professors who are vigorously opposed to *sui generis* protection — protection like the Coble Bill — are also opposed to enforcement of contracts in connection with these kinds of claims. There is an enormous cottage industry in anti-protection analysis which urges that contracts ought not to protect against wholesale piracy and that misappropriation ought not to protect against it; no other causes of action ought to protect against piracy, because the more people that can use these databases, the better it is for society. That is really, I think, a Napster approach to the Internet, which is, “Gee, isn’t this all wonderful?”

Well, it is not wonderful if, over time, the ease of theft and the resistance of the courts to prohibit theft and enforce remedies against theft, deter the creation and supply of databases that are useful for all of us. It is that policy underlying copyright law — namely, that if we have protection against some kinds of misuse, we will have more content creation or more investment in databases by Standard & Poor’s, by Lexis, by other people — that makes for progress in the sciences and useful arts and ultimately, for a better society.

MR. COTTER: Thank you, Professor Hansen, and thank you to the *Journal* for inviting me and the rest of the panelists. I feel very lucky to be here to learn from you and from the panelists.

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<sup>45</sup> See *Matthew Bender & Co., Inc. v. Jurisline.com*, 91 F. Supp. 2d 677 (S.D.N.Y. 2000).

I think back to about six years ago to when I saw Professor Hansen speak about *sui generis* protection for databases and thought, "I'm never going to have any involvement with that." Here I am, six years later, and I guess it is his fault.

I represent Bidder's Edge in the *eBay* suit.<sup>46</sup> These views are mine, not those of Bidder's Edge or anyone else, and I do not want to turn my side of it into a position paper on what is right or wrong, but just a couple of things about database protection in general.

First of all, I am very concerned with the term "database protection" that we throw around. What is a database? Who is being protected? And, what are they being protected from? Those are the issues we are all trying to wrestle with.

I hear lots of discussion, not just here but in other places, about wholesale copying, about free-riding, and I think it is important to think about what exactly is going on. Not all accused free-riders and accused wholesale copiers are doing the same thing. They do not all have the same degree of culpability, if any at all. It is very important to think about those things when somebody is drafting legislation that we are going to have to live with.

It may be that there is what is truly wholesale copying and direct use of that copied material in competition with the person from whom it may have been copied, and then there are circumstances where information is used for other purposes, and used to facilitate information used by consumers. Not that everything has to be free, not that I am in favor of a wide-open Internet, or wide-open databases. But, users have some rights to get some information, and we have to make a determination of how much information they are going to be precluded from getting by some broad law drafted in the name of piracy, free-riding, and wholesale copying. We can talk about that in greater detail, but first, I have one other major question, and it goes to the *sui generis* issue: Why do we need more intellectual property? Who is being harmed here? I think Rob was getting to some of that.

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<sup>46</sup> See *eBay Inc. v. Bidder's Edge, Inc.*, 100 F. Supp. 2d 1058 (N.D. Cal. 2000).

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You can analyze it economically. Who is being harmed? What is going on? Is it a situation in which someone is taking, wholesale, the data of another and going into direct competition with that data against the person from whom the information was taken? Or, is it a situation where the person is taking some limited amount of the data, processing it in a new way, and providing that to consumers so consumers can make wise choices, and where the person who is processing the data and providing it to consumers is not taking anything economic from the person from whom the information was originally taken?

And the last thing that goes to that issue is: whether consumers are being heard here — again, not in the sense of being able to get anything they want at any time for free, but whether consumers are being heard here, or is it just a matter of large publishers trying to get yet another law that they can use to hammer more people who are trying to facilitate giving information to consumers so consumers can make decisions, make purchases?

Thanks.

PROFESSOR HANSEN: We will now open this up to discussion. To put some order in it, I think we will do it by issue and invite the audience — a very distinguished audience, I might say also — to participate either by making comments or by asking questions.

The first issue for discussion was raised by Rob on constitutional issues. Is unconstitutional for Congress to enact statutory database protection? In short, if Congress passed one of these bills, would the Supreme Court, under the *Feist* opinion, find it an unconstitutional exercise of power by Congress not authorized under Article I, Section 8, Clause 8, and that the Commerce Clause could not be an alternative method of doing that?

PARTICIPANT [Jesse Feder, Policy Planning Advisor, U.S. Copyright Office]: I think you have just raised an important issue that was slightly overlooked. It is not merely a question of whether this can be enacted under the Copyright and Patent Clause of the Constitution, but whether the Supreme Court's interpretation of that Clause of the Constitution somehow prevents Congress from

enacting it under another power, because this legislation is expressly premised not on the Copyright and Patent Clause, but on the Commerce Clause. Similarly, I would mention the Vessel Hull Design Protection Act<sup>47</sup> which provides at the federal level the kind of protection that the Supreme Court had overturned at the state level under the Supremacy Clause in *Bonito Boats*.<sup>48</sup>

PARTICIPANT: My name is Yochai Benkler. I am a Professor at NYU Law.

I think it is correct to say that the question is whether the Act can be enacted under the Commerce Clause. I think when one reads slightly over a hundred years of precedent — from the trademark cases, to the *Sears-Compco* line,<sup>49</sup> through to *Bonito Boats*, and from *Graham v. John Deere of Kansas City*<sup>50</sup> to *Feist* — the answer is that if any law that Congress passes substantively provides an intellectual property right in a way that does not comply with the substantive limitations of the Intellectual Property Clause<sup>51</sup> — i.e., originality, one realizes that Congress cannot legislate this way under any power, because. Why? Because, unlike most clauses of Article I, Section 8, the Patent and Copyright Clause, enacts substantive limitations on Congress's power.

And, as long as we are talking about substantive limitations of Article I, Section 8, Clause 8, and a law that is substantively the law of the kind Congress is empowered to enact under the Clause, Congress cannot create that power except within those limitations, which means H.R. 354<sup>52</sup> will be unconstitutional.

PROFESSOR HANSEN: Okay.

I see heads shaking on the panel, and we will have some further discussion from the panel. But before we hit the panel, who have all

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<sup>47</sup> Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2877 (1998) (amending 17 U.S.C. § 511, adding § 512).

<sup>48</sup> *Bonito Boats*, 489 U.S. at 141.

<sup>49</sup> *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

<sup>50</sup> *Graham v. John Deere*, 383 U.S. 1 (1966).

<sup>51</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>52</sup> H.R. 354, 106th Cong. (1st Sess. 1999).

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spoken, is there anyone else in the audience who would like to address these issues?

PARTICIPANT: Wouldn't perhaps such legislation be a good way of reconsidering *Feist* — in other words, prompting the U.S. Supreme Court to reconsider whether or not perhaps a middle ground can be found? Under U.K. law, skill and labor, not substantive investment and not creativity, is essential for copyright.<sup>53</sup>

PROFESSOR HANSEN: I think everyone is giving way too much importance to *Feist*. *Feist* was a unanimous Supreme Court opinion, which usually means a lot in constitutional law. In intellectual property law, it means half of the justices were asleep and didn't care about the case. If you look at the unanimous decisions, most of them are not followed later on. For instance, the broad import of *Sears* and *Compco* was never followed by any lower court. The Sixth Circuit said both opinions were completely dicta, and the Supreme Court certainly has not followed it. *Bonito Boats* is really not *Sears* and *Compco*; it is a watered-down version at best, and of course the case concerned preemption of state action and not the extent of federal power.

Also, some on the Court are on a global kick, meeting here and in Europe with judges on the European Court of Justice. Thus, they might be more attuned to the effect that our laws have on Europe and vice versa. Some might already know that if the U.S. does not find some way to find protection, our companies are not going to get protected under the EU Directive.

Second, the Court has never been tremendously doctrinal. In my view, its decisions have been largely policy-based. It is difficult to find any situation where Congress really wanted to do something that could not be done effectively by the state and the Court said "you cannot do it at all." This certainly has not happened past the New Deal. And ironically, the people who are against the database bill are normally for broad Commerce Clause power.

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<sup>53</sup> See Peter Stone, COPYRIGHT LAW IN THE UNITED KINGDOM AND THE EUROPEAN COMMUNITY (1990).

And you always have *McCulloch v. Maryland*,<sup>54</sup> and the Necessary and Proper Clause.<sup>55</sup> If anyone takes Justice Marshall's broad definition of Congress' power seriously, then Congress has the power to do basically anything, even if the specific language of the Constitution does not say so. At least, that is the theoretical argument.

In my view, *Feist* was not a serious case because there was no real "sweat of the brow" and no free-riding. Whereas in the old days creating a "white pages" phone directory required a lot of people with file cards to hand assemble and check individual phone listings, today phone information is digital and a directory can be created quickly without much human input. So, there was no sweat of the brow, no human effort, in *Feist*.

And there was no free-riding; this company paid for the information it wanted from seven out of the eight directories — and offered to pay the plaintiff who refused the offer. Moreover, *Feist* created a productive work, something that was different from other directories. So it was not just a same-use type of free-riding.

I think it is a good argument and a good point that John Cotter raised, that there are different shades of free-riders. But I do not think the Court will fine-tune that on the basis of the Constitution. It will leave it to the Congress to do more of the fine-tuning.

So I think, there are good doctrinal arguments, but I am not sure that they are going to carry the day when the Court is faced with the need to protect databases, which it always seems to do, and the global implications of the United States not being able to get database protection in the E.U.

I did not want to get into that, but you raised the question that *Feist* could be reexamined. Yes, I think the Court might reexamine some of the things. And, of course, all the constitutional statements were really dicta because sweat of the brow was prohibited by the Copyright Act.

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<sup>54</sup> 17 U.S. 316, 412 (1819).

<sup>55</sup> U.S. CONST. art. I, § 8, cl. 18.

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But I think your article is excellent.<sup>56</sup> You should have been on this panel. Rather than just lolling around in the back there, you should have been up here working during this session.

Chuck, I think you wanted to say something.

CHARLES SIMS: Just briefly.

Whatever that view I think might have had, for an effort by Congress to try to create property-like protection, I think there is really no chance that the Court would say that Congress could not use the misappropriation approach. After all, there has been misappropriation law at the state level. If Congress can preempt a good deal of misappropriation law, they can certainly, it seems to me, create a federal standard. It is not all that different from what Section 43(a) does with respect to unfair competition.<sup>57</sup>

There is a marvelous old misappropriation case involving the institution across the street, in which somebody went into the Metropolitan Opera with a tape recorder and recorded the performance, which was not otherwise being fixed.<sup>58</sup> The Constitution and the copyright law both say there is no copyright

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<sup>56</sup> Yochai Benkler, *Constitutional Bounds of Database Protection: The Role of Judicial Review in the Creation and Definition of Private Rights in Information*, 15 BERKLEY TECH. L.J. 535 (2000).

<sup>57</sup> 15 U.S.C. § 1125 (a)(1)(A)-(B) (2000). The statute reads as follows:  
False designations of origin and false descriptions forbidden

(a) Civil action.

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

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

<sup>58</sup> See *Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483 (1950).

protection for something that is not fixed. Misappropriation law bars you from going into that kind of performance — or even an NBA performance — making your own videotape, and beaming it directly to the world. And I do not think that could have been done at the Olympics either. When you go into a sports event, there is writing on your ticket that usually says you cannot make a complete reproduction of this event. But if you snuck in so that you did not have that contractual limitation, I think the same misappropriation laws still would apply, and Congress has the constitutional power under the Commerce Clause to address those kinds of harms.

MR. EISENBACH: Just a quick point. If it were to turn out that Congress did not have the constitutional power to enact database legislation under the Commerce Clause, then it raises at least a question of whether Section 301<sup>59</sup> could be amended specifically not to preempt state misappropriation laws and allow those laws to be enforceable.

PROFESSOR HANSEN: And, of course, in *Feist*, Justice O'Connor did say there is state misappropriation for some remedies, so she was cognizant of that. But she was just like someone on a roll, without an opponent. I am not sure how much close scrutiny the other Justices applied, or whether she considered the implications of her decision for a fact situation like this.

Let's move on to another issue, unless someone wants to discuss that further.

What about the actual need for a federal statute? I know we have people who say there is such need. The reality is people seem to be doing all right, making a lot of money. Maybe the litigation is more difficult. But should we wait longer to see? In other words, if you pass legislation too early, it might actually over-protect or under-protect. Are we at a stage where we really can tell? There does not seem to be a tremendous amount of wholesale infringement going on, at least enough to maybe tell us exactly how a statute should be worded? I am just throwing that out for discussion.

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<sup>59</sup> 17 U.S.C. § 301.

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Any ideas, first from anybody who has not spoken yet, and then we will go to the people who have spoken?

PARTICIPANT [E. Leonard Rubin, Gordon & Glickson]: Isn't the EU Directive compelling here? Doesn't it almost require that there be some legislation?

PROFESSOR HANSEN: In what sense?

PARTICIPANT [Mr. Rubin]: As I understand the EU Directive, it says that no reciprocal protection will be given to databases that belong to countries that do not have some sort of legislation that also protects databases.

PROFESSOR HANSEN: Yes, actually it does say that. The Council has to approve protection for any country outside the E.U. The Recitals say something about how it has to be a comparable level of protection.<sup>60</sup>

But why would that be compelling? We could make a different choice. We could say, "We don't need database protection."

PARTICIPANT [Mr. Rubin]: We can, indeed, except when we trade with our European partners.

PROFESSOR HANSEN: Your point is well taken. That is the only reason we have a copyright term of author's life plus seventy years, because of the rule of the shorter term in the Term Directive of the European Union. Congress never would have gone to life plus seventy if it had not been for the European Union and the reciprocity provision. But unfortunately, whereas the copyright term affected a lot more people, database is more discrete. I think you also have a user community that is much more active with regard to database protection than there was with regard to the Term Directive.

And also, the technical industry is generally contributing to the Republicans. If the House goes Democratic, the whole world is probably going to change on this legislation. Right now, the Republicans have been getting so much money from the technical industries that they have been calling the tune much more than in the

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<sup>60</sup> See *supra* note 7.

past. A lot of the debate just has to do with a much stronger user community getting involved in this issue, because they think their interests are more important. If not for the users, the librarians and the scientific community would not have been enough to have stopped it, in my view. As worthy as that should be, I really think here, to some degree, it is a very strong, powerful group of companies that are opposing, and that is having a dramatic effect.

Anyone else on the need for the bill?

PARTICIPANT [Professor Alain Strowel, Nauta Dutilh, Brussels]: I have a comment on the European situation vis-à-vis the American debate on the protection of databases. Of course there is, as you said, an obligation to provide similar protection in the U.S. because of the reciprocity rule. Nevertheless, the present situation (with a better protection of databases in Europe) did not result in a massive move of the database industry to Europe since the implementation of the Directive in the various Member States. Therefore, it is not clear whether there is a real economic incentive to adopt the same type of legislation in the U.S.. In addition, it must be stressed that the entry into force of the directive did not generate outcries from the user community or from institutions of users, such as libraries.

So I would say that, after three years now, the debate is less passionate in Europe. Some big questions remain nevertheless — namely, on the condition of protection (substantial investment), and on the scope of protection (substantial taking). These controversial points have generated various interpretations. For instance, in the Netherlands, there have been a few interesting cases in the past months.

PROFESSOR HANSEN: What did they do in Holland? What made them interesting?

PARTICIPANT [Professor Strowel]: Well, there have been two main cases. One case in January concerned a phone directory which was online, out of which the defendant was taking the data.<sup>61</sup> There the court said “database protection and we prohibit this kind of

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<sup>61</sup> See *KPN/XSO*, Rb., Gravenhage, 14 Jan. 2000, AA 4712, available at <http://www.rechtspraak.nl> (last visited Mar. 8, 2001).

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linking or extraction.”

Another case, concerning titles of newspaper articles, was decided in August, and in this case the court said “no protection for a compilation of titles of newspapers” — just the opposite of the former decision.<sup>62</sup>

PROFESSOR HANSEN: A compilation of what?

PARTICIPANT [Professor Strowel]: Of news and more particularly of the titles of newspaper articles, which were on a Web site and used as pointers, as in the well-known *Shetland* case.<sup>63</sup> It was some kind of aggregating Web site with titles of various newspapers, and you could, by clicking on them, jump directly to the text of the articles posted on external sites.

PROFESSOR HANSEN: And under your view, is that a correct decision, under an intellectually honest interpretation of the EU Directive, or not?

PARTICIPANT [Professor Strowel]: The first decision just mentioned was correct. Concerning the second one, the issue is whether there was “substantial investment.” The fact that the newspapers were just listing on a page of their site the titles of the published articles (with internal links to the text of these articles) does not amount to “substantial investment” in my mind, so that, on this basis, an aggregating site could be allowed to reproduce the list of titles.

PROFESSOR HANSEN: Both decisions were correct?

PARTICIPANT [Professor Strowel]: Yes, they were okay, at least on the issue of database protection.

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<sup>62</sup> See *Algemeen Dagblad / Eureka Internetdiensten*, Rb., Rotterdam, 22 August 2000, AA 6826, available at <http://www.rechtspraak.nl> and for an unofficial English translation, see <http://www.ivir.nl> (last visited Mar. 8, 2001).

<sup>63</sup> See *Shetland Times Ltd. v. Wills*, 1997 Sess. Cas. 316, 1996 WL 1093516 (Ct. Sess. Scot. 1997); see also *Shetland Times Case Settles*, 8 SCL ELECTRONIC MAGAZINE 5, available at <http://www.scl.org/scl/emag/emagazine/vol8/iss5/vol8-iss5-shetland-times.html> (last visited Mar. 8, 2001).

But if I may say one more word, I think important to stress that we have a real property right on databases in Europe. So it is easier to draft and conclude contracts on databases. In some countries, you have an additional procedural advantage: indeed, because of the property right nature of this *sui generis* right, it is possible to introduce a special action “on the merits.”

PROFESSOR HANSEN: What action?

PARTICIPANT [Professor Strowel]: Well, an action allowing for a fast-track procedure that you can use for intellectual property rights, not in the case of actions based on unfair competition. I do not want to go into the details here. So, to have a property right as such could bring collateral advantages.

PROFESSOR HANSEN: So are you saying that the federal bill will not meet the reciprocity requirement?

PARTICIPANT [Professor Strowel]: If it is not a property right, I think the reciprocity requirement of the European Directive is not respected.

PROFESSOR HANSEN: That is a very interesting debate. The really interesting thing about this is that Europe wants us to have database protection because then we both can go to the WIPO and get a worldwide treaty on database protection. Unless we are in there, Europe is not going to get a treaty.

But if you say that whatever we do will not result in reciprocity, you kill the incentive for Congress to legislate protection, because one of the incentives for Congress to do so is to get the reciprocity.

The reality is that while we are talking about a “misappropriation bill”, it actually is a right — a *sui generis* right in misappropriation clothing. I have gone through it, and I cannot think of anything you cannot do that you would not be able to do under this than if it had the same type of protection under *sui generis*. So those critics of it, saying it is really not misappropriation, I think are right. In misappropriation, you just say “misappropriation law applies.” But no, they give definitions, rights, remedies, everything else, which is really just what you would do with the *sui generis* law.

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The reality is that if you get the same level of protection, whatever you call it, Europe should be content with that, because, ultimately, it will never get more than that. That is why no one from the European Commission has said anything like what you are saying. But you are an independent — a professor.

But the Commission is very quiet, trying to make it work and not saying things that generally would lead Congress to think a U.S. law would not meet the reciprocity requirement. But it will be interesting to see.

Anyone else?

MR. EISENBACH: A brief comment. I think in terms of the need for the protection, one, I think you need to focus back on the Internet. The Internet allows access and copying, through crawling and other mechanisms, to be done very quickly. You can, within days, put up the very same entire database, or large portions extracted from it, on another Web site. So, I think the speed of the Internet is one factor.

For me, though, the other one that I think is compelling is that you've got a situation in which someone is going to have this data available on their Web site, and if that type of copying or extraction continues, at some point they are going to say, "We've got to make this a subscription or a password or some other form of protection that all of the users around the world now will have to do, instead of simply being able to visit that Web site freely whenever they want to, without giving their name or a password."

So I am concerned that, without this kind of protection, the self-help measures that owners of these databases will employ will actually slow down the dissemination of information.

PARTICIPANT [Professor Stanley Rothenberg, Moses & Singer, LLP, Adjunct Professor Fordham University School of Law]: One of the problems I have with the kind of database that was just described, where the second comer is taking out the headlines of articles or titles of articles and creating an index of these titles, is if you looked at it as a copyright matter, you might say that certainly one can take the titles of articles from a periodical and create an index of them. For one thing, it seems to me to be a fair use of those

titles.

And secondly, it seems to me to be a transformative use of the original periodical, which again reinforces the contribution that is being made to the public and the fair use aspect of it. So, to permit the owner of the periodical to stop this by way of a database property right seems to be undermining the principles of the copyright law.

PROFESSOR HANSEN: I think the facts in that case were that he copied a database created by someone else. The person who was sued did not go in and do all this work himself. So your fact pattern is different — “I am going in and taking all these titles and everything else and putting them together and someone is trying to stop me.” I don’t think those were the facts. It was that someone already did that and this person copied that database, right?

PARTICIPANT [Professor Rothenberg]: Okay, I see. That is all right.

MR. SIMS: As an example, take the *Schwann Catalog*<sup>64</sup> of all records, or *Books in Print*.<sup>65</sup> There is nothing original about *Books in Print*; it is the name of every book in print and information supplied by publishers, exactly as anybody would want. I really think it is probably equivalent to the White Pages, in that it has the name of the book, the publisher, the price, and maybe the city where it is published. It is compiled at huge expense. Why should somebody be able to simply take the whole thing and start selling it? I do not think that makes sense.

I think our sense of justice would be — at least, mine would be — offended by the notion of simply taking the whole *Schwann Catalog*, or the whole *Books in Print*, or the whole *Reader’s Guide to Periodicals*,<sup>66</sup> which you and I probably relied on in school. Those were compiled at expense. They were sold. Why should somebody

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<sup>64</sup> William Schwann, THE SCHWANN CATALOG. The first *Schwann Catalog* listed all the classical LPs that were then available. Today Schwann Publications publishes several catalogs on different musical genres. See <http://www.schwann.com/inside/about.html> (last visited Mar. 8, 2001).

<sup>65</sup> BOOKS IN PRINT (1948-2001).

<sup>66</sup> THE READER’S GUIDE TO PERIODICAL LITERATURE. *The Readers Guide to Periodical Literature* is an author-subject print index of general interest English-language periodicals.

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be able to rip off the whole thing and start selling it? It does not make sense.

The notion that Congress or states are — or ought to — be hobbled from protecting those investments that people make does not make a lot of sense to me either. Which is not to say that using it one day is a violation. Obviously it is not.

PROFESSOR HANSEN: Professor Benkler?

PARTICIPANT [Professor Yochai Benkler, New York University School of Law]: So, Chuck, you like H.R. 1858, the one that gives protection only to copying of the whole, slavish copying, and sale competition. You do not like H.R. 354 that says if you take two or three facts and sell them with or without competition, maybe use them as a user, then you have a right — it is a property right. It is just called misappropriation to get around *Feist*.

MR. SIMS: Well, I think there is a difference between a misappropriation, which is I think what it sounds like to me, of most or all of the thing, or substantial parts, as distinct from H.R. 1858, which I do not like at all, partly because it sets the FTC<sup>67</sup> astride without any individual remedies, and is therefore, entirely useless.

PROFESSOR HANSEN: Well, no one can be for H.R. 1858. It is not a serious bill for the protection of databases. They are talking about a wolf in sheep's clothing. You pass H.R. 1858, it preempts all state law, there will be no private action, and you have to take the whole database.

And, of course, the bill went under tremendous scrutiny. I think the Commerce Committee spent probably seventeen minutes on it. If it would be enacted, it would dramatically reduce database protection. I really cannot imagine that is actually going to happen. But you never know. Certainly it will not happen in this Congress.

PARTICIPANT [Sabrina McLaughlin, U.S. Department of Commerce]: From the angle of the Department of Commerce and from my own personal perspective, I strongly agree with you that

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<sup>67</sup> Federal Trade Commission.

what makes this compelling is the Internet angle.

From a policy perspective, it does not really matter whether there are more databases being produced — a numerical statistic. What is more important is whether the taking of works in this way have a substantial effect on global leaders in electronic commerce? Will this thwart the growth of electronic commerce? Will it hobble it by, for example, making users sign up in these individual regimes?

And so I think that this legislation on database is going to move and will move. It is just a question of whether it will be a balance of H.R. 1858, whether it will be in a H.R. 1858 kind of form, or whether it will be a H.R. 354 kind of form. But I do not see it moving without a private right of action.

PROFESSOR HANSEN: So you said it will move.

PARTICIPANT [Ms. McLaughlin]: In the next Congress.

PROFESSOR HANSEN: It is nice that Ms. McLaughlin is here from the Commerce Department. I have trouble figuring out what its position is. It seems to be just sitting on the sidelines and saying a few things. What is the position of the Commerce Department?

PARTICIPANT [Ms. McLaughlin]: Well, the position has been — actually, our former General Counsel is very strongly involved in the negotiations and in the discussions at the committee level — that H.R. 354 was the better bill. It was not perfect, but it was by far the better bill.

And, that we could not sit around waiting for it, relying on a Second Circuit case alone, and we need to think about what checks and balances were in order. We gave a lot of thought to that, because the Department of Commerce, for example, does encompass NOAA, the National Oceanic and Atmospheric Administration, and the kind of scientists that generally say, “How can you lock up facts in a very simplistic way?”

In fact, there have been later iterations of the bill that define potential and actual markets with a lot of particularity, and I think strengthen the bill.

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PROFESSOR HANSEN: So you see some bill being enacted in the next Congress?

PARTICIPANT: [Ms. McLaughlin]: Right.

PARTICIPANT: I want to address self-help for a minute, but before I do, suffice it to say that we obviously believe that we see a fair amount of wholesale copying, call it what you want to call it — call it “free-riding,” call it “aggregating.”

There are two notes on self-help. But, first I will second Mr. Eisenbach’s point, that ultimately we believe it is bad for the consumer. We believe the measures that we undertake disfavor the consumer.

More importantly, as some of the panelists pointed out, the measures are available. What they are really saying in economic terms is “spend lots of money protecting the databases” — which is fine for the big public company. I would point out that it does not really help the database creator that is not a big public company, that does not have those funds available. We may not be in that situation, but many are.

More importantly, framing the argument of self-help as one that puts the onus on the database creator is somewhat disingenuous. The same remedies that are available to the database creator — you have been calling it “self-help” — are available to the person who would like to be in that database business and is copying — for example, the advertising remedy, the contractual remedy, and the marketing remedy. To frame it by saying that the original database creator ought to undertake self-help is to deny that all those remedies are also available.

Any one of the parties mentioned in any of these lawsuits has the ability to create the same databases. There is no other barrier to entry than the financial one. Jurisline merely needed to spend money to aggregate on its own the cases it took from Lexis. Bidder’s Edge only needed to spend money to create the types of auctions that eBay so successfully created. This measure is available to the people that want it, to anyone who wants to undertake these types of databases.

MR. COTTER: On the issue of aggregators and free-riders, we are back to the same, with all due respect, unhelpful name-calling, frankly.

You have to look at what exactly is the prospective defendant doing, the alleged copier. Are they in fact wholesale copying and going into direct competition with the database builder who spent all this money, whether they be a large public company or a start-up? Has the alleged free-rider taken that information and used it in a way that competes directly against the source of the data? Have they effectively taken everything the database originator — if that is the right word, although it may not be original — has started with and gone into direct competition? I think those are important questions. You have to look at how is the information obtained.

We have also heard some comments before, again, with all due respect, about crawling. Understanding the significance of crawling is, it is an important thing here, if we are going to use crawling as an example of a free-riding activity. You have to look at how the information is obtained, and then you have to look at what is done with it in a commercial sense. Is it a case that a Lycos<sup>68</sup> is crawling and then competing in a direct fashion with everyone it acquires information from? I do not think so. I do not believe Bidder's Edge is doing that either. And there are lots of other companies that may or may not be doing it.

But I think you really have to look at that question before you can reach the conclusion that it is free-riding and it is bad for start-ups or large public companies, whomever.

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<sup>68</sup> In October 2000, Terra Networks, S.A., a global Internet company and the leading provider of Internet access and interactive content and services to the Spanish and Portuguese speaking world and Lycos, Inc., the Internet's leading multi-brand network combined to form Terra Lycos. The new Terra Lycos is one of the most popular Internet networks in the U.S., Canada, Europe and Asia and is the leading portal to Spanish and Portuguese-speaking markets. Terra Lycos provides users a compelling network of Web brands and gives advertisers access to a vast and diverse audience. Terra Lycos has the largest global footprint of any Internet portal with more than 140 sites in 41 countries through its network of websites as well as through joint venture partnerships. *Terra Lycos Overview* at [http://www.terralycos.com/about/au\\_1\\_2\\_1.html](http://www.terralycos.com/about/au_1_2_1.html) (Mar. 8, 2001).

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PROFESSOR HANSEN: I think that is a very good point, and I think that is what our courts do. People are focusing on this bill in Congress, for instance, H.R. 354, and saying it is too draconian.

Fair use was created by the courts out of whole cloth. The courts are constantly doing this sort of balancing. For instance, if there was not a fair use provision in H.R. 354, the courts would have created one. They created it for the Copyright Act.<sup>69</sup>

And if courts do not create such a provision, they will protect a fair use in another way. In the case where courts think the alleged misappropriation is okay, they could find no substantial investment or an insubstantial taking. And certainly, a jury — the pure policy animal — will do it, without having to craft a reason.

So ultimately, we may be talking about a lot of cases in which, in the long run, the court is going to say “who is the good guy and who is the bad guy?” Does the public suffer or not? They will figure this all out, and then come up with a doctrine which explains the result, although maybe not in a great way.

So, I think ultimately when this comes to litigation judges are applying policy. In *INS v. AP*<sup>70</sup> there was no established doctrine to reach the result. They created the misappropriation doctrine to reach the policy result unreachable under copyright law. The Court simply thought the conduct was wrong and created doctrine. On the other hand, when there was too much protection, they created the fair use doctrine. Our courts are not hesitant about doing this balancing. Ultimately, I think, at least in the federal courts, you are going to get some sort of balancing.

PARTICIPANT [Professor Benkler]: Chuck Sims was very successful in persuading Judge Kaplan recently that now that there is a statutory fair use, if Congress does not specifically enact it, it can no longer be imputed by common law *vis-à-vis* the DMCA.<sup>71</sup> So there is a concern with this notion of statutory foreclosure, once

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<sup>69</sup> Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended throughout 17 U.S.C.).

<sup>70</sup> See *Int'l News Serv. v. The Associated Press*, 248 U.S. 215 (1918).

<sup>71</sup> See *Universal City Studios v. Remerdes*, 111 F. Supp. 2d 294 (S.D.N.Y. 2000).

Congress knows about something and does not include it. That would create a problem specifically for that line of doctrinal argument.

More specifically, on the point of the need and the cost, we have heard the argument about the need for incentives. We have heard the argument about the need to avoid forcing database owners to erect self-help measures.

I think it is worthwhile to use the *eBay v. Bidder's Edge* context to understand the core problem.<sup>72</sup> The core competing concern, is not necessarily consumer access. It is downstream producer access. The economic function of something like Bidder's Edge is to take existing information and re-present it.

And, there is the argument that property rights has been a workable concept in the old economy, but that we need stronger property rights in the new economy. That is false. The standard economic understanding of real property, or physical materials, is fundamentally different from the standard economic understanding of information. Information is a public good. Once it is produced, the cost of using it is zero; the social cost of using it is zero.

If we lived in an ideal world where all information producers could get paid by some mechanism other than property rights, we should abolish all property rights. We do not live in that ideal world. But we have to understand the ideal from a purely economic perspective — not in any political ideology, but purely from an economic perspective — is we would get the most information production if we had no property rights and some other mechanism, like advertising, that could pay suppliers without them having to force users.

So we come back to what is the effect of a database right in *eBay* and *Bidder's Edge*. The effect is that eBay moved first, everybody knows them, people put their stuff on there, people know that that is where most of the stuff is, they will go and search there. Other people who want to put their stuff on say, "Well, people go to

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<sup>72</sup> *eBay, Inc. v. Bidder's Edge, Inc.* 100 F. Supp. 2d 1058 (N.D. Cal. 2000).

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Bidder's Edge and search there, so I will put my things there." Other people who want to search say, "Well, more people are putting things on eBay, I will go and search there."

What a downstream user of a database, like an auction aggregator, does, is take information from an existing database, and produce new information by using the existing information at its real social cost, which is zero. Whenever you introduce a cost to information, that means people like Bidder's Edge will use existing information too little. That is the standard economic understanding. What you will end up having is one eBay, or maybe two, with whatever services they provide to control the data.

The alternative is that you get the data itself being pushed to its marginal cost of zero and the competition being on better service — better insurance, better credit insurance for the payors, better connections, faster searches within the auction, all sorts of things that consumers value — rather than a monopoly around this particular contingent circumstance that you happened to be first on the market and, therefore, have more information about what people want to sell.

PARTICIPANT [Ms. McLaughlin]: But, what your argument seems to neglect to address is transformative use. The idea is people want to be able to know what is there. They need to be able to use the information that they are collecting and do something with it that makes it of value to the public. That is not simply having more information being taken in one place and more people knowing about it because other people are taking it and sharing it.

PARTICIPANT: In furtherance of Mr. Cotter's point, particularly in response to Mr. Sims's message, that you have to look at who is the free-rider, I do not think that Merrill Lynch will free ride — they are always going to have their Bloomberg. Proskauer attorneys are not going to use Jurisline; they are going to use Lexis and Westlaw. So, when you say that there is this Standard & Poor's service that people pay for and they will not pay for it anymore. I do not think that Goldman Sachs will ever go searching for free information on the Internet. The big information providers will not lose their customers by the so-called free-riding.

MR. SIMS: Why do you assume it is going to be free? The more worrisome prospect is that somebody is going to take the whole thing and themselves start to resell it. That is what happened in the *Jurislinc* case. I mean, Merrill Lynch could take the whole Standard & Poor's historical database, incredibly valuable information about every stock released since the 1920s, and just take it wholesale and start moving into that business.

PARTICIPANT: Isn't *Jurislinc* free?

MR. SIMS: They were selling eyeballs to advertisers. The notion that law firms that have million-dollar bills annually for valuable databases will to continue pay millions of dollars when they can get stuff for free is unreasonable — you know, you should talk to our cost people.

PARTICIPANT: Really, I think the clients are paying for this, not Proskauer.

MR. GIBBONS: Clients like to pay less.

PARTICIPANT: I am Katherine Forrest with Cravath, Swaine & Moore. I am on a later panel.

I want to follow up on the comment directed to Mr. Cotter: What is the economic model that you are suggesting is for the user of the database? You are saying that you look at who the end-user is and that this, in turn, informs you as to the legality of the use. Is the economic model similar to what Mr. Sims just described, which is the sale of eyeballs, an advertising model, and not a direct revenue producing situation between the consumer and potentially your client, but something where your client is getting paid by advertising? Or, is the economic model different?

Then I would just put a question at the end, which is: if the economic model is an advertising-based model, and I know you do not like the word, why isn't it free-riding?

MR. COTTER: I think you are getting almost to deep linking in that sense, if you are going to talk about eyeball time and advertising. The model varies. It depends on who is doing the aggregating and for what purpose. I mean, it is — just restating your question —

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whether it is a library-type function or a commercial-type function where they are going to sell advertising space. So, that is a possibility.

Now, why isn't it free-riding? It is not free-riding because it is not wholesale copying.

PARTICIPANT [Ms. Forrest]: Can I ask one follow-up question? Is the hypothetical client in this situation getting paid by anybody for the formation of their business, and business being the entity which uses the information from the database? Are they receiving an economic return?

MR. COTTER: They may be, they may be.

PARTICIPANT: [Christopher Pennisi, Symposium Editor, *Fordham Intellectual Property, Media & Entertainment Law Journal*]: I would like to address the panelists who do not presently represent a database client. Why would you feel uncomfortable without legislative protection of databases? There have been cases decided in database owners' favor which turned entirely on existing principles of law. I am assuming you could always license out your information by just putting in a user agreement and password protection. Why do we need the two bills, or any bill?

MS. FERRI: I think that what some of the cases have shown is that a person compiling data cannot count on protection stemming from contract or trespass theory, because obviously if you are in a court that is accepting a preemption theory, it will not work for you. I think that the idea of having some legislation is an idea that is not going to go away.

However, I think, from what we are seeing here today, the legislation as it is drafted and proposed now is just not going to work. It does not take into consideration the idea of innovative uses of data.

I think that some of those concepts were brought out very well in the *amicus* brief filed in the *eBay v. Bidder's Edge*<sup>73</sup> case, which

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<sup>73</sup> See generally brief of *amici curae* in support of Appellant, *Bidders Edge, Inc. v.*

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discussed the need for shopping bots<sup>74</sup> and price comparison, and that there is an innovative use there that is of benefit to the other users of the Internet.

MR. GIBBONS: I think we have to keep in mind as we are negotiating this landscape as to what is the proper calculus between the database compiler's return on investment, so to speak, and the cost to end-users or competitive users, what have you, to access what has traditionally been held by the Court to be publicly available information — i.e., facts or unoriginal ideas.

How much of a lock-up do we want in order to so-called properly compensate the compiler, and what will the real-world impact be on the availability of information? We have to keep that in mind.

That is why I think there is a stall, frankly, on the Coble Bill, because of a concern that the Bill is overly broad. In fact, on an earlier version of the Bill, the Department of Justice commented that they thought it had the potential of being overruled by the Supreme Court as unconstitutional in light of *Feist* and an impermissible use of the Commerce Clause.

PROFESSOR HANSEN: That was written by an academic from Fordham, and you just cannot trust these academics.

Let me ask you, Rob, what do you think the chances of some bill passing in the next Congress?

MR. GIBBONS: I am not sure, but I think there is going to have to be some more of a blending between the Bliley Bill (H.R. 1858), which is far narrower, and the Coble Bill (H.R. 354), which is very broad in prohibiting the taking of a substantial portion of a database. What does "substantial portion" really mean? Who defines that?

PROFESSOR HANSEN: I do not want you to argue the case. Just what are the chances, do you think, of it happening, however it turns out?

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eBay, Inc., (9th Cir. Mar. 31, 2000) (No. 00-15995).

<sup>74</sup> See *supra* note 14.

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MR. GIBBONS: I think that the pressure is there for Congress to do something. I feel that there will be a narrower bill passed, a streamlining of the Coble Bill, and then, at some point in the not-too-distant future, it will come up as a constitutional challenge in the courts.

PROFESSOR HANSEN: Okay.

MR. EISENBACH: Just one quick comment to the professor's comment and to Mr. Cotter. The information may on some theoretical level be a public good, but it sure was created by private investment. To allow it to go downstream to anybody without paying anything for it because on a theoretical level there should be no cost — would be untenable. There is a cost, and that is, that if it is perpetuated by many, many different people doing the same thing, eventually the parties that are compiling the information in the first instance are going to stop, because many Internet companies rely on advertising and other sources of income in order to continue the compiling process.

I think we need to balance that, and I think the result is not to allow free-riding. If someone wants to use the information for aggregation or some other basis, let them pay a license and do so under reasonable license terms.

PROFESSOR HANSEN: For reasons of time, that will have to be the last word. Let me just say thank you very much to the panelists and to the audience for a very good session.

MR. PENNISI: I would also like to thank the panelists and the audience members for an interesting debate.