

# Phone books, databases and copyright – the case of Telstra

Anton Joseph, FTIA, MTaxS (Auck.), Solicitor (UK, NZ & NSW)

The explosion of databases on the internet, coupled with the ease of access and speed of data retrieval, highlights the need for a distinct legal approach for such databases. Generally, it is acknowledged that it would be unsuitable to deal with digital databases in the same way as other databases. For example, recent cases in the United States have acknowledged the uniqueness of digital databases, the European Union recognised the importance of these databases in 1996 when it issued a Directive dedicated to digital databases, and in Australia, the Copyright Law Reform Committee has not been far behind in recognising the emerging trend.

The traditional criterion of “originality of work” may not be an adequate guide when copyright disputes about digital databases arise. In the absence of clear legislative guidance, the courts are compelled to make decisions that often result in puzzling, if not conflicting decisions.

The decision in favour of Telstra in the case of *Telstra Corporation Limited v Desktop Marketing Systems Pty Ltd (Telstra)* by Finkelstein J in the Federal Court,<sup>1</sup> and on appeal in the full Federal Court,<sup>2</sup> brings into focus the rights and limitations of creators of databases in Australia. Although the *Copyright Act 1968 (Cth)*<sup>3</sup> (the *Act*) addresses the status of compilations, the implications associated with databases remain to be clarified, preferably by legislation. The need for legislative intervention is felt most in the case of digitised databases. This is imperative so that the law remains relevant in the evolving digital environment of information storage and retrieval.

Internet technology available to access databases on the web is fast advancing so that legislation faces the danger of falling behind and becoming stagnant and uncertain. The Copyright Law Reform Committee (CLRC) Report in 1995 on computer software protection recommended that Australia consider the introduction of a right of unfair

extraction in light of the then developing EU Directive. The EU Directive was issued in 1996, however, regrettably, the Australian law remains unaltered. The special characteristics of cyberspace are best regulated by firm and clear legal rules, especially those relating to infringement of rights.

The EU Directive 96/9/EC on Legal Protection of Databases (1996) obliges the Member States to legislate for the protection and limitation of digitised database rights. The United Kingdom implemented the Directive by enacting the *Copyright and Rights in Databases Regulations (1997)*.

In Australia, the *Telstra* decision, which dealt with database rights, arguably did not strike a commercially workable balance between the copyright of the database creator and the desirability of access and use of the databases by others. The current state of the *Act* does not address the balance between the creator of the database and its users.

## **Telstra Corporation Limited v Desktop Marketing Systems Pty Ltd**

The question that arose for decision in *Telstra* was whether there was copyright in the White and Yellow Pages Directories and the Heading Book of Telstra (**Directories**). The alleged infringing works were 3 CD-ROMs created by Desktop using the information contained in the Directories. The Desktop CD-ROMs contained Yellow and White pages listing data and the information from the Heading Book.

Desktop argued against copyright in the Directories, alleging that there was no “originality” in the production of the Directories. However Desktop did not dispute that Telstra employed substantial effort and expense in the production of the Directories.

The primary data that was used to produce the three products was taken from the Directories. The data was changed in various minor respects,

changes included for example: Rd to Road and the inclusion of the name of the State. The data was then formatted so that it could easily be read by a computer.

The data was loaded onto the computer system maintained by Desktop. There was some cursory validation of the data, but not to any significant extent. Then other information was added, such as the appropriate industry code, number of employees, facsimile number and Ausdoc DX number. The data was updated if errors were detected.

Desktop made some changes to the headings that Telstra used in its Directories. However there was sufficient evidence to conclude that around ninety-five per cent of the headings used by Desktop were identical to the headings used by Telstra and that only approximately 0.36 per cent of Desktop’s headings were unique.

In Australia, copyright can only arise under the *Act*. The *Act* provides that copyright exists in published original literary work<sup>4</sup>.

Literary work includes:

- a. a table, or compilation, expressed in words, figures or symbols; and
- b. a computer program or compilation of computer programs<sup>5</sup>.

There was no dispute as to the Directories being compilations. The central question was then whether there was originality in the Directories. At issue was whether the industrious gathering and listing of data in the Directories qualified the work as original, or whether some additional intellectual element, such as selection or arrangement, was necessary.

The Full Court held that there was originality in the work by Telstra, in obtaining and listing the data in the Directories.

At this stage it is relevant to consider the US Supreme Court decision in

*Feist Publications Inc v Rural Telephone Service Co Inc*.<sup>6</sup> (*Feist*). *Feist* is a seminal case in the United States, and was considered by the Australian Federal Court in *Telstra*, but was ultimately not followed<sup>7</sup>. In *Feist*, the Court stated that the compiler of factual information is not the author or originator of the individual facts recorded in the compilation.

Notably in *Telstra*, Lindgren J listed the following propositions on the issue of “originality” emerging from authorities in England and Australia:

- (i) The concept of “originality” is correlative with authorship;
- (ii) Originality does not require novelty, inventiveness or creativity, whether of thought or expression, or any form of literary merit;
- (iii) The Directories were a compilation of “intelligible information” as opposed to a random collection of information;
- (iv) The test of “originality” must be applied to the whole of the compilation and not to individual parts;
- (v) The test of “originality” is whether the work was not copied, but originated from the author; and
- (vi) There is no principle that the labour and expense of collecting, verifying, recording and assembling data to be compiled, are relevant to or are incapable of themselves establishing originality. On the contrary, the authorities strongly suggest that labour of that kind may establish originality<sup>8</sup>.

Desktop advanced the following two arguments on infringement:

- (i) that when considering whether a substantial part of the copyright has been infringed, it is necessary to consider the originality of the part allegedly infringed and the whole of the copyright material; and
- (ii) for infringement of copyright, there should be a sufficient degree of objective similarity

between the infringed and infringing work.

In consideration of the first argument, the Court accepted the view of Finkelstein J in the Federal Court that a substantial part of the Directories had been included in Desktop’s CD-rom.

Sackville J, in the Full Court, agreed with the primary judge that Desktop had taken a substantial part of Telstra’s copyrighted work, and that it could be concluded that the copyright over the entire Directories was infringed.

With regards to the second argument, on the issue of similarity between the reproduced work (output from the Desktop CD-roms) and the infringed work (the Directories), the Court took the view that comparison can be made between the printed work and the output from the CD-rom’s in order to determine whether there had been reproduction of the infringed work. The Court said:

“Depending on the circumstances, the comparison might be between the printed work and hard copy material derived from the data on the CD-rom. Alternatively, the comparison might be between the printed work and the material derived from a CD-rom, which is displayed on a screen<sup>9</sup>.”

If some visual similarity is required in cases involving the taking of factual compilation, the form in which the information stored on Desktop’s CD-roms can be reproduced satisfies any such requirement<sup>10</sup>.

The decision of the Court that there was “originality” in the compilation of the Directories appears to have been influenced by the fact that significant effort and expenses were used by Telstra in compiling the Directories.

Black CJ stated:

“Whether the same result would follow if the compilation in issue were produced from data harvested from transient information flows by an established computer program is, of course, a separate question. The case turns on its own facts”<sup>11</sup>.

## **EU Directive 96/9/EC – Legal Protection of Databases (1996)**

One of the primary reasons that prompted the European Union to issue the EU Directive 96/9/EC (the **Directive**) was to prevent each Member State having different legislation and levels of protection, as such unharmonised intellectual property rights could hinder the free movement of goods and services within the European Union.

One important feature of the Directive is that it divides the rights of the creator of the database into two:

- Rights in respect of reproduction, distribution, communication, display or performance of the database or any part of it (copyright); and
- Rights to prevent extraction and/or re-utilisation of the whole or a substantial part of the database (*sui generis* rights).

Copyright can arise only if the database constitutes the author’s or maker’s intellectual creation. No other criteria, such as time spent or expense incurred, will be relevant.

Article 3 of the Directive reads as follows:

“In accordance with this Directive, databases which, by reason of the selection or arrangement of their contents, constitute the author’s own intellectual creation shall be protected as such by copyright. No other criteria shall be applied to determine their eligibility for that protection.”

The creator of the database, if protected by copyright, will have the exclusive right to carry out or authorise the following:

- a) Temporary or permanent reproduction of the database, in whole or in part;
- b) Translation, adaptation, arrangement and any other alteration;
- c) Any form of distribution to the public;

- d) Any communication, display or performance to the public; and
- e) Any reproduction, distribution, communication, display or performance to the public of the results of the acts referred to in (b) above.

Article 6 of the Directive requires Member States to legislate exceptions to the copyright of the creator of the database, in instances where the information from the database would be:

- a) For private purposes of a non-electronic database;
- b) Used for the sole purpose of illustration for teaching or scientific research;
- c) For the purpose of public security or judicial procedure; and
- d) Other exceptions in the copyright laws of the Member State.

The second right under the Directive is considerably different. The right prevents extraction and re-utilisation of the whole or a substantial part of the database, provided there has been substantial investment in the database by its author. The right exists only if there has been extraction or re-utilisation of the database.

The terms “extraction” and “re-utilisation” are defined in the Directive.

“Extraction” is 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.

“Re-utilisation” means any form of making available to the public all or a substantial part of the contents of the database by the distribution of copies, by renting, by on-line or other forms of transmission.

Once the database is made available to the public, the database creator cannot prevent the extraction or re-utilisation of insubstantial parts of the database for whatever purpose, unless such insubstantial extraction or re-utilisation was systematically conflicting with the normal exploitation of the database or was unreasonably prejudicial to the

legitimate interests of the creator of the database<sup>12</sup>.

The right will expire at the end of 15 years from the first of January of the year following the date of completion of the database. This term would start to run anew if there had been substantial changes to the database so that the database could be considered as a new investment.

Exceptions to this right are:

- a) Private purpose of non-electronic databases;
- b) Teaching or scientific research; and
- c) Public security and administration of justice.

A similar scheme of rights does not exist in the Australian copyright legislation.

### **British Horseracing Board v William Hill Organisation Ltd<sup>13</sup>**

The case of *British Horseracing Board v William Hill Organisation Ltd* was considered under the UK *Copyright and Rights in Databases Regulations* (1997) implementing the EU Directive.

The British Horseracing Board (BHB) maintained a constantly updated database including details of over one million horses. It contained pre-race information for each race, covering the place and date on which the meeting was to be held, the distance over which it was to be run, the criteria for eligibility to enter the race, the date by which the entries were to be made, the entry fee payable, the initial name of the race, and similar information.

Only a little over one third of the cost of maintaining the database was recouped by fees.

William Hill was one of the large bookmakers in the UK and most of the information displayed or used in its licensed betting offices or through telephone betting was derived from the BHB database.

BHB claimed that William Hill had been making use of data from its database without permission, in

violation of Article 7(1) of the EU Directive. Alternatively it argued that even if the extraction or re-utilisation related to insubstantial parts of the database, it infringed Article 7(5).

The Court considered the following arguments by William Hill:

- a) That what William Hill had used was not part of BHB’s database;
- b) Even if what William Hill had used was a part of the BHB database, it was not a substantial part;
- c) The use of the BHB database did not amount to an extraction from the database; and
- d) The use of the BHB database was not a re-utilisation of the database.

The Court rejected the argument that the data used by William Hill was not part of BHB’s database. The Court considered that a collection of data taken from the database must be a part of its content.

On the question of whether William Hill extracted or re-utilised a substantial part of BHB’s database, Laddie J found that looking at the matter on both a quantitative and a qualitative basis, it was a substantial part of the database.

The Court rejected the argument that there was no extraction. It was argued unsuccessfully that extraction meant removal from the database, so that the database would be left without the removed part. It was found that what was required to establish extraction was that a substantial part of the contents be transferred to a new medium.

On the question of re-utilisation, the Court rejected the argument by William Hill that re-utilisation must include telling the public something it does not already know.

The Court ordered an injunction against William Hill. The injunction was ordered on the basis that BHB had the protection in Article 7(1) and not copyright as enshrined in Article 3. On appeal, the Court of Appeal (Civil Division)<sup>14</sup> decided to refer the matter to the European Court of Justice. No decision had been made by the ECJ at the time of this article.

### **New York Times Co Inc v Tasini<sup>15</sup>**

This was a decision by the US Supreme Court where the rights of individual authors were upheld against the owner of an electronic database, where the authors' articles were placed.

The authors wrote articles for newspapers and a magazine published by the New York Times. The Times did not secure the authors' consent to placement of articles in an electronic database.

The Times licensed a third party to copy and sell the articles. The articles were included in the database of an electronic database operator. Subscribers of the database could access the articles when the original print publication was displayed. The accessed articles could be printed.

The authors alleged that their copyrights were infringed when the articles were placed in the database.

The electronic database operator attempted to rely on section 201(C) of the *Copyright Act* which reads:

"Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or any other right under it, the owner of the copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series."

The Court held that the databases reproduced and distributed articles

standing alone and not as part of that particular collective work. The authors produced their articles only to be contained in a collective work, in newspapers and magazines.

### **Conclusion**

The decision in *Telstra* lays the foundation for copyright claims in respect of databases that are mere collections of works and that involve no significant effort, except for the time and expense incurred. The consequence of granting copyright protection to such collections becomes even more crucial in cases where the components forming the database themselves do not enjoy copyright protection. If the decision in *Telstra* is taken to its extreme limits, this would result in most databases being copyright protected.

In general, copyright runs for 50 years. A database once protected by copyright will continue to be so protected indefinitely as long as the creator alters the database and continues to maintain "originality" in the sense that it was defined in *Telstra*. The low threshold for originality emerging from *Telstra* will inevitably grant copyright protection to databases that are mere collections of already available data.

It is nearly 6 years since the EU Directive on protection of databases was issued. The CLRC suggested as far back as 1996 that the matter be considered in light of the evolving EU Directive. If the Directive was applied to the *Telstra* facts, copyright protection may not have been granted, instead the sui generis right similar to that in Article 7 of the EU Directive would have been the maximum protection available to *Telstra*. Arguably, this limited protection would be adequate for the Directories of *Telstra*.

Since the law relating to copyright is exclusively in the *Copyright Act 1968*, legislative intervention specifically targeting the Act along the lines of the EU Directive can bring certainty to the status of databases.

The question remains whether in the fast developing digital environment notions that served the print world well should continue unaltered. Analysing violations of digitised database rights against the criterion of "originality" may stifle the web and drastically diminish its usefulness, especially in areas of education and research. Moreover, the implementation of database rights will invariably become increasingly complex. A workable balance must be struck between the rights and obligations of the creator and the users of databases. Database creators should be encouraged to engage technology to protect their databases rather than seek absolute legal protection. 'Napsterisation' of databases, and the consequential legal battles, are best avoided.

- 
- 1 [2001] FCA 612.
  - 2 [2002] FCAFC 112 (15 May 2002).
  - 3 Amended by the Copyright Amendment (Computer Programs) Act 1999 and Copyright Amendment (Digital Agenda) Act 2000.
  - 4 Section 32 Copyright Act (1968).
  - 5 Section 10 Copyright Act (1968).
  - 6 499 US 340 (1991).
  - 7 [2002] FCAFC 112 per Lindgren J at para 27.
  - 8 2002] FCAFC 112 per Lindgren J at para 160.
  - 9 (2002) FC AFC 112 per Sackville J at para 443.
  - 10 (2002) FCAFC 112 per Sackville J at para 446.
  - 11 (2002) FCAFC 112 per Black CJ at para 11.
  - 12 EU Directive 96/9/EC Article 7(5).
  - 13 [2001] EWCA Civ 1268.
  - 14 [2001] EWCA Civ 1268.
  - 15 United States Supreme Court No. 00-201