**Orphan Works and the Search for Rightsholders:
Who Participates in a “Diligent Search” Under Present and Proposed Regimes?**

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Over the past several years, policy makers and private actors have developed an evolving set of approaches for addressing the orphan works problem¹—a problem that arises when “the owner of a copyrighted work cannot be identified and located by someone who wishes to make use of the work in a manner that requires permission of the copyright owner,”² preventing follow-on uses of works. These approaches usually attempt to address the orphan works problem by employing some threshold mechanism to differentiate true orphan works, to which the proposed solutions would apply, from non-orphaned copyrighted works. Satisfying a “reasonably diligent search” is one well-known formulation by which users can designate works as orphaned and therefore subject to a proposed solution, though—as this paper points out—alternative approaches certainly exist. Regardless of the specific formulation, the search for rightsholders (or conversely, the confirmation that no rightsholder can be located) is an integral component of almost every orphan works proposal. This paper examines in detail the core schemes for identifying rightsholders among the leading orphan works regimes and proposals.

Although these schemes differ across many variables, three factors predominate: (1) who is expected to participate in the search process, (2) the nature and extent of the required search

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¹ For a more complete description of the variety of proposed solutions, see David R. Hansen, *Orphan Works: Mapping the Possible Solution Spaces* (Berkeley Digital Library Copyright Project, White Paper No. 2, 2012), <http://ssrn.com/abstract=2019121>.

² REGISTER OF COPYRIGHTS, REPORT ON ORPHAN WORKS 1 (2006), available at <http://www.copyright.gov/orphan/orphan-report-full.pdf>; see also Orphan Works Notice of Inquiry, 70 Fed. Reg. 3739, 3741 (Jan. 26, 2005) (describing orphan works as those “whose owners are difficult or even impossible to locate”).

generally; and (3) specifically what types of resources, tools, registries or other information-sharing mechanisms are required or allowed. This paper compares existing proposals' approaches with respect to the first factor: who participates in a search? A subsequent paper will focus on the second and third factors. In practice, however, all three factors are intertwined. For example, the standard under which a search must be performed might be uniform, or it may vary depending on the identity of the entity performing the search and the resources available to it, on the class of work, or on the nature of the proposed re-use. Similarly, the extent to which users are permitted to rely on information about the orphan status of a work obtained via another's prior search may depend on issues such as the identity of the entity that performed the prior search and the quality of the search as documented in a registry.

We identify four general categories of responses to the "who participates?" question in recent proposals:

(1) The first category relies on users to conduct an independent search for rightsholders, such as that envisioned by the U.S. Copyright Office's 2006 *Report on Orphan Works* and the ensuing legislative proposals.

(2) A second category requires an independent user search that is then approved or reviewed by a central administrative authority, such as the systems used in Canada, Japan, and several other jurisdictions.

(3) The third category includes systems that require a search by a licensing authority, such as the collective management organizations used in some Nordic countries.

(4) The final category includes hybrid approaches that combine different sets of participants at different stages. This includes regimes that have differentiated mechanisms for mass digitization and other bulk uses, and for facilitating individual uses of orphan works, such as that proposed in the U.K.

I. User-conducted Diligent Search

Several proposals rely on users themselves to designate works as orphaned. Under these approaches, users must conduct an independent diligent search for rightsholders; if rightsholders cannot be found then the proposed orphan works solution is triggered. The US Copyright Office led with this approach in its 2006 *Report on Orphan Works*, and the basic framework of a user-conducted diligent search is possible under other more recent approaches, as well, such as the model adopted recently in the EU Orphan Works Directive and those being considered in Australia.

A. US Copyright Office Proposal and Proposed US Legislation

Following one of the most comprehensive studies of the orphan works problem to date, in 2006 the U.S. Copyright Office published its *Report on Orphan Works*.³ In that report, the Copyright Office ultimately endorsed a remedy-limitation approach based on a threshold search for owners by those who wished to use a copyrighted work. Under this proposal, users who had engaged in a “reasonably diligent” but ultimately unsuccessful search for the owner of a given work would be shielded from some monetary damage awards and some injunctive remedies, should an owner later emerge and bring suit.⁴ The report concluded that a “fundamental requirement for designation of a work as orphaned is that the *prospective user* have conducted a search for the owner of the work.”⁵

The Office stated that one of its overarching goals was “primarily to make it more likely that a user can find the relevant owner in the first instance, and negotiate a voluntary agreement over permission and payment.”⁶ As such, it is unsurprising that the Office concluded that autonomous and independent searches by users would be the most appropriate way to designate works as orphaned under its proposal. This approach places the burden of reasonable search squarely on prospective users, making clear that “each user must perform a search, although it may be reasonable under the circumstances for one user to rely in part on the search efforts of another user.”⁷ In its *Report*, the Office also rejected the idea that it should have a prominent role in the search for rightsholders,⁸ ultimately concluding that a “truly ‘ad hoc’ system – where users simply conduct a reasonable search and then commence use, without formality – is the most efficient way to proceed.”⁹ (The role Congress envisioned for the Office, however, was somewhat expanded from this, as discussed further below.)

³ REGISTER OF COPYRIGHTS, *supra* note 2, at 5. The report was the culmination of a more than year-long study which synthesized the results of three days of public roundtable discussion and over 850 initial and reply comments in response to the Office’s Notice of Inquiry. *See* Orphan Works Notice of Inquiry, 70 Fed. Reg. 3739 (Jan. 26, 2005) (soliciting comments on the orphan works problem); *Orphan Works*, U.S. COPYRIGHT OFFICE (last updated Oct 23, 2012), <http://www.copyright.gov/orphan/> (collecting initial and reply comments).

⁴ REGISTER OF COPYRIGHTS, *supra* note 2, at 127 (proposed statutory text).

⁵ *Id.* at 71(emphasis added).

⁶ *Id.* at 93.

⁷ *Id.* at 9

⁸ For example, the Office resisted suggestions that users should file notices of their searches in a registry maintained by the Copyright Office, *id.* at 112, though it did concede that there may be some future role for the Copyright Office in developing reasonable search guidelines. *Id.* at 109.

⁹ *Id.* at 113.

In terms of the actual search standard itself, the Copyright Office suggested in its *Report* that the extensiveness of the search should vary based on a number of factors, one of which was whether the proposed use was commercial or non-commercial, or if the work was broadly disseminated or played a “prominent role in the user’s activity.”¹⁰ Although this factor directly relates to the proposed use (not the proposed user), it implies that some users whose purposes are ordinarily favored—such as non-profit libraries—might approach searches somewhat differently from commercial users. As explained below, differential treatment for specific uses or users is more fully embraced by other approaches such as the proposed UK legislative regime and the EU Orphan Works Directive. One argued advantage of this approach is that it avoids or limits more controversial, commercial uses while still offering a solution that allows non-profit cultural institutions to make parts of their collections more widely available.¹¹ Such an approach is not without its critics. Professor Jane Ginsburg argues, for instance, that adjusting the level of diligence required based on circumstances “would be problematic . . . [because] variable levels of diligence would render the same work (or same rights in the work) ‘orphaned’ as to some users but not as to others.”¹²

The Copyright Office proposal resulted in a series of legislative proposals between 2006 and 2008 in both the House and Senate,¹³ though none of these bills were ultimately enacted. On the

¹⁰ *Id.* at 107. Other factors included the presence of identifying information on the work itself, whether the work had been made available to the public, the age of the work, the availability of information in publicly-available databases (e.g., Copyright Office records), and whether the author was still alive. *Id.* at 99–108.

¹¹ See Stef van Gompel, *The Commission’s Proposal for a Directive on Orphan Works*, KLUWER COPYRIGHT BLOG, JUNE 14, 2011, <http://kluwercopyrightblog.com/2011/06/14/the-commission%E2%80%99s-proposal-for-a-directive-on-orphan-works/> (noting limitations of this approach). The EU Orphan Works Directive has been widely criticized for its narrow scope of application because, among other things, it leaves out stand-alone photographs and fails to address for-profit uses, arguably a very large part of the OW inaccessibility problem. See *The European Orphan Works Directive: A Missed Opportunity?*, KEI ONLINE, June 26, 2012, <http://keionline.org/node/1445> (criticizing the directive because “it sets unnecessary limitations on potential beneficiaries, does not solve for-profit use of orphan works and establishes an over-regulated mechanism that could suffocate non-profit initiatives”); EBLIDA, LIBER and ENCES *Statement on the European Commission Proposal for a Draft Directive on Orphan Works*, ENCES (2011), http://www.ences.eu/fileadmin/important_files/Documents/Directive-proposal_Orphan-Works_EBLIDA-LIBER-ENCES.pdf (“[T]he proposal’s exclusion of all varieties of unpublished works, standalone artistic works and sound recordings has the potential to heavily distort memory institutions representation of 20th century culture and scientific output online.”).

¹² Jane C. Ginsburg, *Recent Developments in US Copyright Law: Part I – “Orphan” Works* 12 (Columbia Law Sch. Pub. Law & Legal Theory Working Paper Group, Paper No. 08152, 2008) (published as Jane C. Ginsburg, *Recent Developments in US Copyright Law: Part I – “Orphan” Works*, 217 REVUE INTERNATIONALE DU DROIT D’AUTEUR, (2008)), available at http://lsr.nellco.org/columbia_pllt/08152.

¹³ The bills were the Orphan Works Act of 2006, H.R. 5439, 109th Cong. (2006), The Orphan Works Act of 2008, H.R. 5889, 110th Cong. (2008) (as introduced in the House), and the Shawn-Bentley Orphan Works

whole the bills adopted the same basic remedy-limitation approach, based on a user-conducted diligent search, as outlined by the Copyright Office. The *Orphan Works Act of 2006* did, however, include an enhanced role for the Copyright office compared to the Office's approach in its *Report*. Under the bill, the Office would be required to maintain authoritative search information available to the public that might include, for example, Copyright Office records, information on best search methods, technological tools to aid the search, and best practices for documenting the search.¹⁴

B. EU Orphan Works Directive

The United States approach relies solely on searches by prospective users; the European Union's new Orphan Works Directive largely follows this approach, but also gives member states some leeway to allow searches by other state-designated organizations.

In October 2012, the European Union adopted a new Directive covering certain uses of orphan works.¹⁵ The 27 EU member states must implement the Directive in their national laws by October 29, 2014. Like the U.S. Copyright Office proposal and proposed legislation, the Directive provides that works and phonograms shall be considered orphaned if all the rightsholders in a work cannot be identified and located after a diligent search has been conducted.¹⁶ The EU Directive applies to a more limited set of users and uses than the U.S. proposals, however. First, whereas the U.S. proposals applied to any prospective user, the EU Directive only directly applies to publicly-accessible libraries, educational establishments and museums, archives, film and audio heritage institutions, and public service broadcasting organizations.¹⁷ Second, the U.S. proposals applied

Act of 2008, S. 2913, 110th Cong. (2008) (as passed by Senate). For a more thorough explanation of the changes made throughout the legislative process, see BRIAN T. YEH, CONG. RESEARCH SERV., RL33392, "ORPHAN WORKS" IN COPYRIGHT LAW (2008), available at http://assets.opencrs.com/rpts/RL33392_20081010.pdf.

¹⁴ Orphan Works Act of 2006, H.R. 5439, at 4–5, 109th Cong. (2006) (proposed § 514(a)(2)(C)). Additionally, one of the bills—the *Shawn-Bentley Orphan Works Act of 2008*—seemed to modify not who must conduct the search but who must be searched for. It provided that users must search for “the owner of any particular exclusive right under section 106 that is applicable to the infringement, or any person or entity with the authority to grant or license such right on an exclusive or non-exclusive basis.” By including those with authority to license (even non-exclusively) the right at issue, the proposed legislation seemed to broaden the group that would be the subject of the diligent search. Shawn-Bentley Orphan Works Act of 2008, S. 2913, § 2(a), 110th Cong. (2008) (as passed by Senate).

¹⁵ Directive 2012/28/EC of the European Parliament and of the Council of 25 October 2012 on Certain Permitted Uses of Orphan Works, 2012 O.J. (L 299) 5, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:299:0005:0012:EN:PDF>

¹⁶ *Id.*, Articles 2(1) & 3(1).

¹⁷ *Id.*, Article 1.

equally to nearly all classes of works,¹⁸ while the Directive applies to only certain works within these institutions' collections: text, audiovisual and cinematographic works, and phonograms that are first published or broadcast within an EU member state. In particular, the Directive does not apply to stand-alone photographs, but does apply to photographs and other works incorporated in covered works. Finally, the Directive is more limited than the U.S. proposals in the uses it permits cultural institutions to make: non-commercial reproduction (including for the purpose of digitization, indexing and preservation) and making available of orphan works in furtherance of the cultural institutions' public interest mission.

With regard to who participates in the search, the Directive requires the diligent search to be conducted either by the institution that wishes to make a permitted use of a suspected orphan work, or by other organizations that EU member states specify in their national implementation legislation. This could include services that undertake diligent searches for a fee.¹⁹

Because the Directive establishes a central EU Orphan Works Register and requires reciprocal recognition across EU member states, relevant EU cultural institutions will be able to rely on other institutions' prior diligent searches. The Directive requires cultural institutions to document the search they have undertaken and the results, which will be recorded in a single publicly-accessible online database²⁰ that will be established and managed by the European Commission's Office for Harmonization in the Internal Market.²¹ To facilitate cross-border use of orphan works within the EU, the Directive requires mutual recognition of works considered to be orphan works after a diligent search is undertaken in one of the 27 EU Member States. A work or phonogram that is considered to be an orphan work in one EU country shall be considered an orphan work in all EU Member States and may be used and accessed as the Directive permits throughout the EU.²²

This mutual recognition is likely somewhat limited, however. Because the Directive only

¹⁸ However, the Shawn-Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (2008) (as passed by Senate), provided that its remedy-limitation approach would not apply to orphan works that were fixed in or on a useful article that is offered for sale or other commercial distribution. *Id.* (proposed § 514(f)).

¹⁹ *Id.*, Article 3(1) & Recital 13.

²⁰ *Id.*, Article 3(6).

²¹ *Id.*

²² *Id.*, Article 4; Recital 23 ("In order to foster access by the Union's citizens to Europe's cultural heritage, it is also necessary to ensure that orphan works which have been digitised and made available to the public in one Member State may also be made available to the public in other Member States. Publicly accessible libraries, educational establishments and museums, as well as archives, film or audio heritage institutions and public-service broadcasting organisations that use an orphan work in order to achieve their public-interest missions should be able to make the orphan work available to the public in other Member States.").

facilitates the use and making available to the public of orphan works by cultural institutions and not by other types of users, it is unclear if other subsequent users could rely on a work's inclusion in the central EU orphan works database. At the very least, a subsequent user that was not a cultural institution would presumably have to make an assessment about the accuracy of the first diligent search and the potential liability exposure incurred in relying upon it. This is because the Directive provides that the full range of copyright remedies remain available where a work or phonogram is wrongly found to be an orphan following a search that was not diligent.²³ In addition, the Directive requires payment of fair compensation to a re-appearing rightsholder for both commercial and non-commercial uses and precludes ongoing use without the consent of the re-appearing rightsholder.

II. User Search Approved by Central Administrative Authority (Canadian Approach)

A second approach to rightsholder search combines aspects of the approaches described above with administrative oversight. Canada pioneered this approach with its centralized system for licensing orphan works. Under Canada's approach, prospective users of works for which owners cannot be located may apply to the Copyright Board of Canada requesting a non-exclusive license to make certain uses of a work where it is satisfied that the user has made "reasonable efforts" to locate the rightsholder(s) in the work, and that the owner is unlocatable.²⁴

The Canadian law contains no explicit authorization allowing subsequent user to rely upon a prior user's search, and because of the relatively small number of licenses granted—only 441 in the first 21 years of the program—it is unclear whether a subsequent applicant could do so.²⁵ Moreover, there is no requirement that applicants make their search documentation public, so it would be difficult for subsequent users to know about the documentation provided to the board by earlier applicants.

Canada's approach to orphan works search has been followed in several jurisdictions. Other regimes that involve central government agencies in reviewing or approving a user's search have

²³ *Id.*, Recital 19.

²⁴ Copyright Act of Canada, RSC 1985, c. C-42, section 77, available at <http://www.canlii.org/en/ca/laws/stat/rsc-1985-c-c-42/latest/rsc-1985-c-c-42.html>.

²⁵ See Jeremy De Beer & Mario Bouchard, *Canada's 'Orphan Works' Regime: Unlocatable Copyright Owners and the Copyright Board*, 10 OXFORD UNIV. COMMONWEALTH L.J. 215, 242 (2010), explaining that between 1988, when the Canadian regime was established, and 2009, only 441 applications had been filed for licenses to use 12,640 suspected orphan works. Of those, 230 licenses were granted between August 1990 and July 2008. See *Decisions – Unlocatable Rightsholders*, COPYRIGHT BOARD OF CANADA, <http://www.cb-cda.gc.ca/unlocatable-introuvables/licences-e.html> (last visited Nov. 12, 2012).

been adopted in Japan, India, South Korea, and Hungary.²⁶ Legislation is pending in the UK (discussed in more detail below) and the People's Republic of China, under which a government agency would similarly grant a license for use of a suspected work after the person or entity wishing to make the use conducts a diligent search.²⁷

III. Search by Collective Management Organizations

In recent years there has been increasing interest in Extended Collective Licensing (ECL) regimes as a means of facilitating access to orphan works. Proponents see ECL regimes as offering protection against copyright infringement liability with lower transaction costs than other approaches to orphan works.²⁸ Under an ECL regime, unlocatable rightsholders would be represented by a collective management organization (CMO) that represents the majority of holders

²⁶ See *Copyright Act 1970, Law No. 48 of 1970, 2009* (Japan) art. 67, unofficial translation available at http://www.cric.or.jp/cric_e/clj/clj.html (requiring a potential user to submit an application for a license along with data explaining why the copyright owner cannot be found); *Copyright Act 1957 as amended by the Copyright Amendment Act of 2012* (India) at paras. 17–18, http://copyright.gov.in/Documents/CRACT_AMNDMNT_2012.pdf (allowing for applications to Copyright Board for works where “the author is dead or unknown or cannot be traced, or the owner of the copyright in such work cannot be found,” and directing that the Copyright Board to grant licenses for use after it has made an inquiry into the good faith and satisfied itself that the license needs to be granted after giving any owners an opportunity to be heard); *Copyright Act 1957, Law No. 432, as last amended by Law No. 9625 of April 22, 2009* (South Korea) art. 50, <http://www.wipo.int/wipolex/en/details.jsp?id=7182> (requiring users to submit evidence of considerable efforts to locate the owner); see also *Enforcement Decree of the Copyright Act, 2009-08-06 / No. 21676 / 2009-08-07* (South Korea) (defining “considerable efforts” and detailing the administrative process) at: http://www.wipo.int/wipolex/en/text.jsp?file_id=200937.

²⁷ The existing UK *Copyright, Patent and Designs Act 1988* permits licensing for orphan performances, but would be broadened under draft legislation currently pending before the UK Parliament which implements the Hargreaves Report recommendations. See proposed sections 116A-116D of the Copyright, Designs and Patents Act of 1988, which would be inserted by section 68 of the draft Enterprise and Regulatory Reform Bill, HL Bill 045 2012-2013, as brought from the Commons on October 18, 2012, at http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0045/lbill_2012-20130045_en_8.htm#pt6-pb1-l1g68 and <http://services.parliament.uk/bills/2012-13/enterpriseandregulatoryreform.html>; Maria Strong, *External Perspectives on the New Draft Chinese Copyright Law: Informal Comments of the U.S. Copyright Office*, presentation at the Conference on New Developments in Chinese Copyright Law and Enforcement, Berkeley Centre for Law & Technology, October 4, 2012 at http://www.law.berkeley.edu/files/bclt_Panel_2_Maria_Strong.ppt; Dr. Prof. Hong Xue, *A User-Unfriendly Draft: 3rd Revision of the Chinese Copyright Law* at <http://infojustice.org/wp-content/uploads/2012/04/hongxue042012.pdf>.

²⁸ See, e.g., JOHAN AXHAMN & LUCIE GUIBAULT, CROSS-BORDER EXTENDED COLLECTIVE LICENSING: A SOLUTION TO ONLINE DISSEMINATION OF EUROPE'S CULTURAL HERITAGE? 25 (2011), http://www.ivir.nl/publicaties/guibault/ECL_Europeana_final_report092011.pdf (“ECLs have been an important part of the copyright acts of the Nordic countries ever since their first introduction in relation to primary broadcasting at the beginning of the 1960s.106 This system offers a solution to the high level of transaction costs associated with mass-digitisation and online dissemination.”).

of the rights in the relevant class or classes of works.²⁹

It is sometimes assumed that using ECL regimes would bypass the need for a diligent search to be undertaken.³⁰ However, as highlighted by the recently proposed EU Collective Management Directive³¹ discussed below, a search for rightsholders would still be required in order to distribute license funds to owners. The primary difference between ECL regimes and other proposals is in who conducts the search. Under ECL regimes under discussion, the search may likely be conducted by the CMO (not the end user), and the search might be deferred to a later time (after use of the orphan work has been made) when the CMO is required to distribute funds to the rightsholders it is deemed to represent.

While searches in order to compensate owners may be deferred to a later time, the need to price the licenses that include orphan works raises an additional important question. Because orphan works are not actively present in the market, licensees presumably would expect to pay less (perhaps far less) for licensing them than for non-orphaned works. Indeed, it may be considered a troubling misallocation of resources for end users to pay higher prices for orphan works.³² Given this, pricing the license properly presumably requires some idea of the proportion of orphans in the licensed collection before licenses are priced and granted.

²⁹ DANIEL GERVAIS, APPLICATION OF AN EXTENDED COLLECTIVE LICENSING REGIME IN CANADA: PRINCIPLES AND ISSUES RELATED TO IMPLEMENTATION (prepared for Department of Canada Heritage, 2003), available at http://aix1.uottawa.ca/~dgervais/publications/extended_licensing.pdf.

³⁰ See submission of National Library of the Netherlands, as reported in European Commission Impact Assessment on Orphan Works 16 (March 2011), available at http://ec.europa.eu/information_society/activities/digital_libraries/doc/reports_orphan/anna_report.pdf (“The National Library of the Netherlands has indicated clearly that a title by title search is not feasible for large scale digitisation projects which normally include thousands of right holders to possibly hundreds of thousands works. . . . The library states that although it has concluded collective agreements with right holders, the use of potential orphan works by the library remains infringing, because this collective solution lacks a legal basis. The Scandinavian extended collective licensing regime is seen as a promising solution to the problem. . . . The library advocates that the EU should introduce a Europe-wide, mandatory legal solution for both orphan works and mass-scale digitisation, which does not require a diligent search on a per-work basis.”).

³¹ Proposal for a Directive of the European Parliament and of the Council on Collective Management of Copyright and Related Rights and Multi-Territorial Licensing of Rights in Musical Works for Online Uses in the Internal Market, COM (2012) 372 final, July 11, 2012, http://ec.europa.eu/internal_market/copyright/management/index_en.htm#maincontentSec1.

³² See Randal C. Picker, *Private Digital Libraries and Orphan Works*, 27 BERKELEY TECH. L.J. (forthcoming 2013) (arguing that, given ex ante incentives, prices for orphan works under a licensing regime should be modest).

A. Renewed Worldwide Interest in ECL Regimes

Various countries across the world are studying ECLs as a possible way to address the orphan works problem: legislation to enable an ECL scheme for mass digitization of orphan works by cultural institutions is pending before the British Parliament;³³ the Australian Law Reform Commission is currently asking stakeholders to comment on whether Australia should introduce a collective licensing regime or a statutory exception to permit use of orphan works;³⁴ and the US Copyright Office has indicated possible interest in considering collective management of rights in the context of mass digitization of collections of copyrighted works that include orphan works.³⁵ In addition, France has adopted a law implementing an ECL-like regime for digital access to out-of-print books.³⁶

The European Commission considered (but ultimately rejected) an ECL regime for orphan works regime in its 2011 Impact Assessment on Orphan Works³⁷ and in its 2009 Reflection

³³ See proposed sections 116A-116D of the Copyright, Designs and Patents Act of 1988, which would be inserted by section 68 of the draft Enterprise and Regulatory Reform Bill, <http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0045/2013045.pdf> (as at first reading in UK Parliament, 18 October 2012).

³⁴ AUSTRALIAN LAW REFORM COMMISSION CONSULTATION ON COPYRIGHT AND THE DIGITAL ECONOMY, ISSUES PAPER paras. 149-167 & Question 24, (Aug. 20, 2012), <http://www.alrc.gov.au/publications/issues-paper/orphan-works>.

³⁵ See *Priorities and Special Projects of the United States Copyright Office, October 2011-October 2013*, 7, at <http://www.copyright.gov/docs/priorities.pdf>; U.S. COPYRIGHT OFFICE, LEGAL ISSUES IN MASS DIGITIZATION: A PRELIMINARY ANALYSIS AND DISCUSSION DOCUMENT 37 (2011), http://www.copyright.gov/docs/massdigitization/USCOMassDigitization_October2011.pdf (“Further public discussion on this subject should explore the pros and cons of extended collective licensing for books or other digitized works, whether this model would be of interest or concern to authors, publishers, libraries, and other interested stakeholders, and whether it would create or remove obstacles to mass digitization projects.”). The Office has now formally invited comments on the issue of orphan works and mass digitization. *Orphan Works and Mass Digitization Notice of Inquiry*, 77 Fed. Reg. 64,555 (Oct. 22, 2012), <http://www.copyright.gov/fedreg/2012/77fr64555.pdf>.

³⁶ See Loi no 2012-287 du 1er mars 2012 relative à l’exploitation numérique des livres indisponibles du XXe siècle (1) [Law 2012-287 of March 1, 2012 on the Digital Exploitation of Unavailable Books of the Twentieth Century], JOURNAL OFFICIEL DE LA RÉPUBLIQUE FRANÇAISE [J.O.] [OFFICIAL GAZETTE OF FRANCE], March 2, 2012, p. 03986, available at http://www.legifrance.gouv.fr/jopdf/common/jo_pdf.jsp?numJO=0&dateJO=20120302&numTexte=1&pageDebut=03986&pageFin=03988#. See also *France Guillotines Copyright*, ACTION ON AUTHORS RIGHTS (Feb. 28, 2012), <http://blog.authorsrights.org.uk/2012/02/28/france-guillotines-copyright/> (Basic English translation of the law and links to commentary).

³⁷ Commission Staff Working Paper, *Impact Assessment on the Cross-Border Online Access to Orphan Works*, at 17, COM (2011) 289 final (May 24, 2011), http://ec.europa.eu/internal_market/copyright/docs/orphan-works/impact-assessment_en.pdf.

Document on Creative Content in a European Digital Single Market: Challenges for the Future.³⁸ It has also considered ECL regimes for mass digitization of out-of-commerce works.³⁹ The Commission's 2009 Reflection Document made clear that the use of ECL for facilitating access to orphan works would be conditional upon a prior diligent search.⁴⁰ Although the latest version of the EU Orphan Works Directive did not mandate ECLs for orphan works, it contains text that accommodates the existing ECL regimes in the Nordic countries and would permit introduction of new national schemes by EU Member States.⁴¹

Aside from the existing national ECL regimes, the September 2011 Memorandum of Understanding on Out-of-Commerce Works between Publishers and Library and Archive Organizations (MoU) created indirect pressure to adopt collective licensing of out of commerce works in EU member states.⁴² The MoU promotes voluntary licensing agreements for broad categories of works, which has been characterized by some commentators as akin to an ECL regime,⁴³ although traditional ECL regimes, such as those used in the Nordic countries, require

³⁸ European Commission, *Creative Content in a European Digital Single Market: Challenges for the Future, A Reflection Document produced by DG INFOSOC and DG MARKT* (October 22, 2009), http://ec.europa.eu/avpolicy/docs/other_actions/col_2009/reflection_paper.pdf.

³⁹ European Commission, Communication – Copyright in the Knowledge Economy, at 5, COM (2009) 0532 final, (October 19, 2009), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52009DC0532:EN:NOT>. Apart from the Nordic national regimes, ECL regimes exist in EU Member States (both Nordic and non-Nordic) for cable and satellite retransmission under the EU Satellite and Cable Directive, 93/83/EC, 1993 O.J. (L 248) 15 (EEC). See Thomas Riis & Jens Schovsbo, *Extended Collective Licences and the Nordic Experience --It's a Hybrid but is it a VOLVO or a Lemon?*, 33 COLUMBIA J.L. & ARTS 8 (2010), available at <http://ssrn.com/abstract=1535230>.

⁴⁰ European Commission, *supra* note 38, at 14 (“The introduction of such practices should take into account the adequate protection of the creators’ rights and should not prejudice their commercial interests unreasonably. This could imply that orphan works would only be included in an extended collective licence scheme after a diligent search has confirmed their orphan status. This option could be considered as a general rule in order to create broad coverage and thus a high degree of legal certainty; or as applicable only to certain uses, such as the scanning of orphan works or out-of-print books.”).

⁴¹ Directive 2012/28/EC of the European Parliament and of the Council of 25 October 2012 on Certain Permitted Uses of Orphan Works, 2012 O.J. (L 299) 5, Article 1.5 at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:299:0005:0012:EN:PDF>.

⁴² *Memorandum of Understanding: Key Principles on the Digitisation and Making Available of Out-of-Commerce Works*, September 20, 2011, at: http://ec.europa.eu/internal_market/copyright/docs/copyright-infso/20110920-mou_en.pdf. See also Press Release on signing of Bookshelf Contract between the Norwegian National Library and KOPINOR, Aug. 28, 2012, <http://www.kopinor.no/en/about-kopinor/news/online-access-to-all-norwegian-literature-from-the-20th-century> (under which 250,000 books, including many from the twentieth century, will be made accessible to Internet users with Norwegian IP addresses).

⁴³ See US COPYRIGHT OFFICE, *supra* note 35, at 36 & n.80; Dugie Standeford, *Breakthrough Gives EU Principles for Digitising Out-Of-Print Books*, INTELL. PROP. WATCH (Sept. 20, 2011), <http://www-ip-watch.org/weblog/2011/09/20/breakthrough-gives-eu-principles-for-digitising-out-of-print-books/>.

statutory provisions to give extended effect to licensing regimes.

B. Existing Extended Collective Licensing Regimes

Extended Collective Licensing regimes covering various uses of copyrighted works are already in operation in Hungary, the Czech Republic, and in the Nordic States of Sweden, Norway, Denmark, Iceland, and Finland.⁴⁴ The Nordic ECL regimes are used for primary broadcasting, cable retransmission and communication to the public of previously broadcast television programs, and for certain forms of reproduction (including photocopying) for certain activities (including educational purposes in several of the countries) or by certain institutions. In addition, ECL regimes operate for other narrow uses of works varying by country.⁴⁵

The Nordic regimes build on existing collective management agreements covering particular classes of works, but extend their operation via legislation to permit the collective management organization (CMO) to represent rightsholders who are not members. This enables the CMO to offer a license for use of the rights in the relevant class of works, which in turn provides comfort to licensees that they can make use of works without legal liability. Non-member rightsholders' interests are protected through legislative provisions requiring CMOs to provide equal treatment of members and non-members regarding remuneration, by provisions on mediation and arbitration, and by providing rightsholders with the ability to opt out and/or seek individual remuneration.⁴⁶

The Nordic ECL regimes are mostly sectorial, covering narrow uses and/or classes of works set out in the relevant legislative provisions.⁴⁷ By comparison, an ECL regime to facilitate access to orphan works would likely have to be broader in scope of works and permitted uses to be useful. It would deem unlocatable rightsholders to be represented by a collective management organization that represents holders of the rights in the relevant class or classes of works.⁴⁸

Since the Nordic regimes empower the relevant CMOs to grant licenses for use of specified

⁴⁴ In addition, France has recently enacted a limited ECL-like regime to encourage digital accessibility to out-of-print books. See *supra*, note 36..

⁴⁵ See Tarja Koskinen-Olsson, *Collective Management in the Nordic Countries*, ch. 9, in *COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS*, (Daniel Gervais, ed., 2d ed., Kluwer Law International, 2010); AXHAMN & GUIBAULT, *supra* note 28, at 29-30. ;

⁴⁶ AXHAMN & GUIBAULT, *supra* note 28, at 27-28, 30.

⁴⁷ However, in 2008 Denmark introduced a general provision, allowing an extended effect for collective management agreements made in respect of any type of rights in works. Other Nordic countries are considering adopting similar general provisions. Tarja Koskinen-Olsson, *supra*, note 45, ch.9 n.59..

⁴⁸ GERVAIS, *supra* note 29.

classes of works, the CMOs do not need to conduct searches for the identity of non-member rightsholders before granting a license. However, CMOs do need to take measures to identify non-member rightsholders at a later time, to distribute license fees due to them, by virtue of the statutory obligation to provide equal treatment to members and non-members regarding remuneration. CMOs face a potential conflict of interest in these circumstances: to the extent that unallocated funds may revert to the CMO after a specified time period, CMOs could be incentivized to conduct a less thorough search for non-members.⁴⁹

Identifying how these regimes price licenses or uses that may include orphans, and what type of search they do in order to price licenses for rights that they administer will be the subject of future research by the Digital Library Copyright Project. These factors, discussed more below, raise significant questions about how CMOs would operate with respect to orphan works, especially in countries with little or no experience with such regimes, where CMOs may have no transparency or governance obligations, and where CMOs do not currently exist to license relevant uses of all classes of works.

C. Proposed EU Directive on Collective Management Organizations

The European Commission has released a proposed “Directive on Collective Management of Copyright and Related Rights and Multi-Territorial Licensing of Rights in Musical Works for Online Uses” on July 11, 2012 (draft CMO Directive).⁵⁰ This draft CMO Directive contains two sets of provisions. The first is aimed narrowly at facilitating multi-territorial copyright licensing of

⁴⁹ Thomas Riis, *Collecting Societies, Competition, and the Services Directive*, 6 J. INTELL. PROP. L & PRAC. 482, 492 n.70 (2011). The recently passed French law is one notable modification to this arrangement. That system operates on an essentially opt-out basis; works that are not being commercially exploited in print or digital formats are added to a public registry, and if the author chooses not to exploit the work within six months, the digital rights are transferred to a CMO. The CMO must first offer digital publication rights to the publisher of the work—which has a right of first refusal—and then may license the work more generally. Loi no 2012-287 du 1er mars 2012 relative à l’exploitation numérique des livres indisponibles du XXe siècle (1) [Law 2012-287 of March 1, 2012 on the Digital Exploitation of Unavailable Books of the Twentieth Century], arts. 134-1 to 134-6; see also Lucie Guibault, *France solves its XXe century book problem!*, KLUWER COPYRIGHT BLOG, April 13, 2012, <http://kluwercopyrightblog.com/2012/04/13/france-solves-its-xxe-century-book-problem/>. While the collecting society still has an obligation to search for rightsholders of works for which fees have been collected, the French law interposes a number of opt-out and notice requirements that would lead to the discovery of rightsholders. However, the law also provides that for work remains unclaimed after 10 years, the CMO may license its use for free to libraries, subject to a variety of non-commercial exploitation terms. *Id.*

⁵⁰ Proposal for a Directive of the European Parliament and of the Council on Collective Management of Copyright and Related Rights and Multi-Territorial Licensing of Rights in Musical Works for Online Uses in the Internal Market, COM (2012) 372 Final (July 11, 2012), http://ec.europa.eu/internal_market/copyright/docs/management/com-2012-3722_en.pdf.

musical works across EU member states.⁵¹ The second set, contains detailed regulations covering the governance and transparency of *all* collective management organizations operating in the EU, including existing CMOs that manage rights in books, journals and other categories of copyrighted and related rights works beyond musical works.⁵²

With regard to orphan works, an important benefit claimed for a collective license approach is the avoidance of a need to search for owners.⁵³ For large collections in particular, this is an attractive idea. However, the proposed Directive highlights that CMOs must still conduct searches.

One of the key provisions in the new framework addresses the distribution of monies collected by a CMO and due to rightsholders that it represents. Although not framed in the language of orphan works, this provision clearly raises issues about the level of effort required to identify potential claimants entitled to funds collected by the collecting society. The draft Directive requires EU Member States to ensure that collecting societies carry out the distribution of revenue collected within 12 months from the end of the financial year in which the rights revenue was collected unless “objective reasons related to . . . identification of rights, rightsholders or to the matching of information on works and other subject matter with rightsholders prevent the collecting society from respecting this deadline.”⁵⁴

Where funds cannot be distributed because relevant rightsholders cannot be found after searching, CMOs can decide how to use funds that have not been distributed after five years from the end of the financial year in which the collection of the rights revenue occurred, provided that collecting societies have taken “all necessary measures to identify and locate the rightsholders” and that members approve rules governing distribution of funds in this event.⁵⁵ Measures to identify and locate rightsholders shall include “verifying membership records and making available to the members of the collective society as well as to the public a list of works and other subject matter for which one or more rightsholders have not been identified or located.”⁵⁶

As noted above, this scheme creates a possible conflict between the collecting society’s responsibility to find owners and its interest in making its own determinations about retaining and

⁵¹ *Id.*, Title III and Articles 36 and 40 of Title IV.

⁵² *Id.*, Titles I, II and IV.

⁵³ *See supra* note 30.

⁵⁴ *Id.*, Article 12(1).

⁵⁵ *Id.*, Article 12(2).

⁵⁶ *Id.*, Article 12(3); Recital 15.

using the money. The Directive does contemplate at least indirect external scrutiny of the CMO's efforts to identify rightsholders. It requires collecting societies to publish an annual transparency report on their website within six months of the end of the financial year, with (among other things) "the total amount collected but not yet attributed to rightsholders, with a breakdown per category of rights managed and type of use, and indicating the financial year in which these amounts were collected."⁵⁷

These reports are likely to provide valuable information for analyzing what EU CMOs are currently doing, and in particular, how they are setting prices for licenses to use works where the rightsholder or holders are unlocatable.

D. Questions Raised by Use of ECL Regimes to Facilitate Access to Orphan Works

The most comprehensive experience with ECL regimes comes from the Nordic regimes described above. Those regimes generally cover narrower sets of rights and classes of works than current ECL proposals for facilitating access to all classes of orphan works. Accordingly it is unclear whether any of those regimes have dealt with classes of works in which a substantial proportion are orphans. In order to ascertain whether transparency obligations and good governance measures provide adequate protection against potential conflicts of interest, and to determine whether the Nordic ECL regimes provide a scalable model for national orphan works access regimes, further research needs to be undertaken focusing on how the Nordic CMOs currently handle record keeping and the search and distribution process, the pricing mechanisms used by CMOs that have large numbers of orphan works in their regimes, the costs involved in locating non-members, whether non-members have routinely opted out of the schemes and sought individual compensation, along with analysis of previous litigation on these issues, and the impact of the CMO governance provisions in the draft EU CMO Directive, once adopted.

Leaving aside the actual standard required for searching for rightsholders, the provisions in the draft CMO Directive discussed above highlight several other important considerations for policymakers considering use of ECL regimes as a means of facilitating access to orphan works:

- First, extended collective licensing regimes that authorize up-front licensing, still require CMOs to conduct a search for rightsholders to disburse collected license fees. For policymakers who are considering different orphan works models based on the cost and allocation of those costs for conducting diligent searches, this is an important consideration.

⁵⁷ *Id.*, Article 20 & Annex I.

In ECL regimes the cost of the search is merely delayed to a later time, but it is not completely avoided.

- Second, in order to establish appropriate pricing models for licenses they issue, CMOs that administer ECL regimes may need to have an understanding of the proportion of orphan works in the rights regimes that they administer, which in turn may require searches. The status of a work could be expected to have an impact on the price of the license to make use of particular rights in it. Orphan works are still in copyright but may be out of print and not trading in the marketplace unlike other works in the collection. In addition, because of the uncertainty about whether a currently unknown or unlocatable rightsholder or holders of a suspected orphan work may re-appear, a full economic analysis might suggest a discounted price for licensing orphan works based on a probabilistic weighting (i.e. the likelihood of a payout for works considered or suspected of being orphaned). As leading law and economics scholar Randall Picker argues, given the ex ante motivations for creating copyrighted works (and the general expectation that one's work will not become an orphan), "basing the royalty on the price that is being paid to non-orphans or that would have been paid in a hypothetical negotiation between the entrant and the copyright holder almost certainly results in a royalty that is too high, as measured by what we want socially. We should expect royalty rates for orphan use to be modest."⁵⁸
- Third, the discussion above highlights a potential conflict of interest inherent in approaches that involve searches by licensing authorities. The CMO that is required to conduct the search for absent rightsholders may stand to gain funds that cannot be allocated to unlocatable rightsholders, potentially creating an incentive for a CMO to be limited in the thoroughness of its search procedure.⁵⁹ This would also be true in relation to searches for appropriately setting pricing models. CMOs who do not undertake a thorough investigation would stand to benefit from charging a flat fee across all rights and works under their administration. Here, again, transparency and governance mechanisms have a key role to

⁵⁸ Picker, *supra* note 32.

⁵⁹ Riis, *supra* note 49, at 492 n.70. In addition, jurisdictions that have no experience with ECL systems, such as the United States, confront a more basic challenge in that designing an ECL would be very difficult because there are no U.S. CMOs that are qualified and trusted to do this job. See Pamela Samuelson, *Reforming Copyright Is Possible*, CHRONICLE HIGHER ED., July 9, 2012 (discussing some of the challenges of implementing a licensing regime in the United States in the absence of an established CMO); see also Pamela Samuelson, *Legislative Alternatives to the Google Book Settlement*, 34 COLUMBIA J.L. & ARTS 697, (2011) at <http://www.lawandarts.org/articles/legislative-alternatives-to-the-google-book-settlement/>

play. Policymakers seeking solutions to foster streamlined access to orphan works may not be inclined to push CMOs to conduct searches for pricing purposes unless new transparency and governance mechanisms indicate that CMOs are holding large quantities of royalties for which no rightsholders have been located.

IV. Hybrid Approaches

Several proposed approaches involve searches by a number of different parties at different times. Not all are purely orphan works solutions, for example, the Google Books Amended Settlement Agreement, yet they are instructive in understanding alternative structures for identifying and enabling uses of these works.

A. Proposed Google Books Search Settlement Books Rights Registry

The Google Books Search Amended Settlement Agreement (ASA) imagined searches done by different entities at different times. The ASA grew out of the class action lawsuit brought by a number of rightsholders seeking to halt Google's Google Books project.⁶⁰ The now rejected⁶¹ ASA created a system that operated much like ECL,⁶² giving Google a license to make out-of-print works available for a set percentage of revenues generated by Google from those works.⁶³ Orphan works—an important subset of the “out of print” category of works—were included under the ASA. The settlement differed from ECL regimes, however, in that search for rightsholders was spread out in various stages and over several entities. First, the ASA required that Google first make an initial search to determine whether the work was “not commercially available.”⁶⁴ Google was tasked under the terms of settlement with making this determination by referring to third-party databases, analyzing the books retail availability, and searching through other publicly available online sources.⁶⁵

⁶⁰ Authors Guild v. Google, Inc., 770 F. Supp. 2d 666 (S.D.N.Y. 2011).

⁶¹ *Id.*

⁶² See Pamela Samuelson, *Legislative Alternatives to the Google Book Settlement*, *supra*, note 59, 706-15 (discussing how the Google Books settlement was like and unlike an ECL regime).

⁶³ See Authors Guild v. Google Inc., Case No. 05 CV 8136-DC, Amended Settlement Agreement, § 3.8, at 45; § 7.2(b)(v), at 95. (Nov. 13, 2009). The amended settlement would also allow Google to make “non-display” and “preview” uses of yet more works. *Id.* at 35, 65.

⁶⁴ *Id.* § 3.2(d)(i), at 29.

⁶⁵ *Id.* (“Google shall determine whether a Book is Commercially Available or not Commercially Available based on its analysis of multiple third-party databases as well as its analysis of the Book’s retail availability based on information that is publicly available to it on the Internet.”).

Google would be obligated to use a “commercially reasonable effort” to make the determination, and rightsholders could come forward with contradictory evidence to reverse the determination. Once the determination was made, Google was permitted to make display uses of the work subject to paying a fee based on revenue generated.

Under the ASA, money generated from Google’s uses of the corpus would be turned over to a Books Rights Registry (BRR), which would in turn be responsible for apportioning the revenues to rightsholders. The BRR itself would be obligated to “use commercially reasonable efforts to locate Rightsholders of Books,”⁶⁶ but for unregistered and unlocatable rightsholders, the funds would go into an escrow account. For funds paid but unclaimed after a period of time, the Registry was directed to use the collected funds in its efforts to locate rightsholders. To address conflict of interest issues, the Registry was also directed to appoint an independent “Unclaimed Works Fiduciary” to help determine how best to search for rightsholders.⁶⁷

While the ASA was rejected by the court for a variety of reasons,⁶⁸ it may still yield valuable lessons for policy makers who are considering analogous licensing regimes. As explained above, there are many unanswered questions regarding who would participate in searches under any licensing regime designed to addressing the digitization of collections of works that contain orphans. The ASA illustrates one possible method of addressing concerns about searches for rightsholders in the licensing context and, with the creation of the unclaimed works fiduciary, a mechanism for addressing conflict of interest issues. Of course, the ASA was hotly debated at the time and has many critics who have written about the shortcomings of this approach, including the same types of conflict-of-interest and pricing issues raised with regard to ECL regimes.⁶⁹ Those concerns should be carefully considered as part of any attempt to draw guidance from the ASA.

B. Proposed UK Two-tiered Approach

The UK Parliament is considering whether to adopt a two-tiered orphan works regime,

⁶⁶ *Id.* § 6.1, at 80.

⁶⁷ *Id.* § 6.2(b), at 82.

⁶⁸ *Authors Guild v. Google, Inc.*, 770 F. Supp. 2d 666 (S.D.N.Y. 2011). In part, the agreement was rejected because it attempted to create what amounted to an extended collective licensing system outside of the normal legislative process and without appropriate input from all stakeholders. *See id.* at 676-78; *see also* Pamela Samuelson, *The Google Book Settlement as Copyright Reform*, 2011 WIS. L. REV. 477.

⁶⁹ *See* Samuelson, *supra* note 68; *see also* *Amended Settlement*, THE PUBLIC INDEX, http://thepublicindex.org/documents/amended_settlement (linking to copies of objections filed in response to the ASA).

permitting commercial and non-commercial use of published and unpublished works, with different processes for mass digitization and for other proposed uses of orphan works. At the first tier, cultural institutions would be permitted to digitize orphan works in their collections through an Extended Collective Licensing regime. The second tier involves a more tailored clearance procedure via a non-exclusive license granted by a new central licensing agency for users who wish to make other types of uses of suspected orphan works. The first tier is modeled on the ECL regimes of the Nordic countries; the second is similar to the regimes in Canada, Japan, and Hungary.⁷⁰ Legislation pending before UK Parliament empowers the UK Secretary of State to issue statutory regulations that will set out procedures and the details of the proposed regime.⁷¹

Diligent search would be required before use at both tiers. At the first tier, the diligent search would be performed by the cultural institution that wishes to digitize its collection or, potentially, by a collective management organization that has applied to operate an ECL regime for particular works. At the second tier, diligent searches will be performed by the user (whether individual or institution) that wants to make use of an individual orphan work. At both tiers searches would be carried out by the applicants according to sector-specific guidelines to be developed by the authorizing body with input from the sector.

It was originally proposed that diligent searches for both tiers would be reviewed and confirmed by a new government body that would be tasked with authorizing use of orphan works. After consultation with library and publisher stakeholders, the UK government has decided that the new authorizing body will not generally validate searches done by institutions or their agents in the first tier. Instead, it will take a “regulatory” approach, accrediting institutions that want to register orphan works, and periodically testing the quality of institutions’ searches and the search process on a random sampling basis.⁷² The UK Intellectual Property Office considers that institutions will be incentivized to conduct appropriately diligent searches because of the requirement to pay fees, and because the new agency will have power to exclude organizations that do not continue to meet the

⁷⁰ This regime is based on recommendations in Professor Ian Hargreaves’ report to the UK Government, DIGITAL OPPORTUNITY: A REVIEW OF INTELLECTUAL PROPERTY AND GROWTH, paras 4.56-59 & p. 40 (2011), www.ipo.gov.uk/ipreview-finalreport.pdf.

⁷¹ See proposed sections 116A-116D of the Copyright, Designs and Patents Act of 1988, which would be inserted by section 68 of the draft Enterprise and Regulatory Reform Bill, HL Bill 045 2012-2013, at <http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0045/2013045.pdf> (as brought from the Commons on 18 October 2012), *supra*, note 33.

⁷² The government apparently rejected this on the basis of the Canadian experience, which was criticized in submissions as being bureaucratic, costly, and “likely to be little used”. INTELLECTUAL PROPERTY OFFICE, FINAL IMPACT ASSESSMENT 4-6 (July 2012) <http://www.ipo.gov.uk/consult-ia-bis1063-20120702.pdf>.

required standards.⁷³

By comparison, at the second tier, for applications for use of orphan works by individuals and for institutions seeking to make smaller scale uses than mass digitization, the new authorizing agency *will* verify the diligent search.⁷⁴ For licenses for individual uses of orphan works, the new body will require details of searched databases and methods, which will be included on a new orphan works registry.⁷⁵ The UK Intellectual Property Office estimates that the cost to users of conducting these diligent searches would be £31m - £122m per annum and the cost of operating the authorizing body would be £0.5m - £1.8m per annum.⁷⁶

Several key details of the UK regime are yet to be resolved, including the identity of the government authorizing body that will confirm searches, whether it will be managed as a public agency or as a public-private sector partnership with collective management organizations, and whether the agency would be empowered to conduct diligent searches as a fee-based service.⁷⁷ The body will be initially funded by the UK Intellectual Property Office but over time may be funded as a collecting society, with administrative costs charged from users. Also yet to be resolved are the extent to which recent diligent searches can be re-used by other users.

C. Hungarian Two-Tiered Approach

In 2008, Hungary adopted a two-tiered orphan works regime that comprises an Extended Collective Licensing Regime for uses of rights in works managed by existing collective management organizations, and a centrally-granted non-exclusive and non-transferable license granted by the Hungarian Patent Office for use of orphan works falling outside the scope of collective rights management.⁷⁸ Individual licenses to use orphan works may be granted for a maximum term of five

⁷³ *Id.* at 3.

⁷⁴ *Id.* at 5.

⁷⁵ *Id.* at 7.

⁷⁶ *Id.*

⁷⁷ If the agency will be a public agency, it seems that it would likely not offer a diligent search service. The Final Impact Assessment notes that stakeholders were generally not supportive of this concept in the public consultation on this point. *Id.* (“They felt that this would depend on whether the authorizing body had the necessary experience and access to relevant databases to complete high quality searches.” It was also recognized that this could be a conflict of interest “as there would be concern that the authorizing body [would] subsidise such searching activity with collected fees and distort private market providers for such services. . . . Given these considerations, a public sector body should not be offering diligent searches.”).

⁷⁸ Mihály Ficsor, *How to deal with orphan works in the digital world? An introduction to the new Hungarian legislation on orphan works*, Presentation to European Parliament, October 2009 at: <http://www.europarl.europa.eu/document/activities/cont/200911/20091117ATT64717/20091117ATT647>

years and may cover commercial and non-commercial uses. Licenses for commercial use require payment of remuneration fixed by the HPO, which is held on deposit for reappearing rightsholders for a period of five years. Diligent search is a core part of the regime. Applicants for an individual license from the HPO must conduct a diligent search for rightsholders based on sector-specific guidelines as a precondition for lawfully using an orphan work.⁷⁹ The HPO conducts a procedural review of the license application to ensure that all required information has been provided.”⁸⁰ As of the writing of this paper, there is little available data about the costs and effectiveness of the scheme. To date, 22 applications for licenses appear on the Hungarian Orphan Works Register.⁸¹ Some of these cover multiple orphan works. For example, the National Audiovisual Archive sought a license to use 370 orphaned works and the Library of the Hungarian Parliament sought a license to use about 1000 orphaned works.⁸²

D. Assertions of Fair Use or Other Exceptions

In some cases, a diligent search might be limited or obviated because unpermissioned use is allowed. In the United States, for example, the fair use doctrine allows some uses of copyright works without permission,⁸³ and many countries have a variety of exceptions to permission.⁸⁴ In such

[17EN.pdf](#).

⁷⁹ Decree 100/2009. (V.8.) Korm. of the Government of Hungary on the Detailed Rules Related to the Licensing of Certain Use of Orphan Works, Article 2, *available at* http://www.wipo.int/wipolex/en/text.jsp?file_id=242073.

⁸⁰ See *id.*, Article 2(1)). Applicants must include information suitable to identify the work and the author or authors, and the mode, extent, and planned duration of the use. Applicants must also attach “all the proofs, which certify that for the conclusion of the licensing agreement the applicant has taken the appropriate measures in a manner that are deemed reasonable under the given circumstances and with regard to the concerned type of work and mode of use to quest the author and the quest of the author is unsuccessful.” (Article 2(2).)

⁸¹ See *Szellemi Tulajdon Nemzeti Hivatala - Árva művek nyilvántartása*, HPO, http://sztnh.gov.hu/szerzoijog/arva/ARVA-muvek-nyilvantartas_teljes.pdf (through Oct. 2, 2012).

⁸² Aniko Gyenge, Hungarian Ministry of Justice and Law Enforcement, Head of Unit on Consumer Protection, Copyright and Industrial Property Unit *The Hungarian Model of Licensing Orphan Works* 8 (Presentation at the European States Presidency Conference on Digitisation of Cultural Material, Digital Libraries and Copyright, March 14, 2010, Madrid), http://www.mcu.es/principal/docs/MC/PresidenciaUE2010/Aniko_Gyenge_presentation.pdf. See also Ficsor, *supra* note 78; Audiovisual Orphan Works in Europe – National Survey, Report prepared for the British Film Institute by KEA European Affairs (May, 2011), <http://www.keanet.eu/docs/ORPHAN%20WORKS%20STUDY%20KEA.pdf>; *Orphan Works*, WIPO Lecture Series (May 2010, Paper prepared by Yael Lifshitz-Goldberg), http://www.wipo.int/edocs/mdocs/sme/en/wipo_smes_ge_10/wipo_smes_ge_10_ref_topic11_1.pdf.

⁸³ See 17 U.S.C. 107 (2006). Examples of permissible uses include digitization for purposes of preservation or

cases, there is less need, or no need, to locate and contact an owner of a work.

Nonetheless, follow-on users are likely to undertake searches for a number of reasons. In some cases, the applicability of the exception is uncertain; for example, a user may be unsure that fair use applies, and prefer to request permission. In some cases, a search might buttress the use of an exception, as in demonstrating good faith in making a fair use claim.⁸⁵ And in some cases, other requirements—especially *droits moral*, such as proper attribution—may require a search regardless of reliance on an exception. How extensive a search should be, and who should do it, are important questions in cases where an exception might apply, especially given the resources that might be required to fulfill a search. The recent *Report on Orphan Works Best Challenges for Libraries, Archives and Other Memory Institutions*⁸⁶ discusses this issue in further detail for libraries, archives, and other memory institutions that seek to use orphan works, but further research is undoubtedly required.

Conclusion

The solutions described above vary considerably in their approach to the orphan works problem. Some systems, such as that proposed by the U.S. Copyright Office's 2006 *Report on Orphan Works* and the ensuing legislative proposals, are relatively simple in that searches are conducted by independent users acting on their own. Others, such as the system currently in place in Canada and elsewhere, involve more government oversight and an approval process for the use of orphan works. Still others remain relatively unclear with respect to what parties would be involved in the search or what level of oversight, if any, would be required to ensure that adequate searches are undertaken. ECLs have recently been proposed as a potential orphan works solution. But as this paper points out, there are several unknowns as to how searches by CMOs would be conducted, how orphan status would be accounted for in the pricing of licenses, and what sort of oversight

for providing access to users with disabilities in a way that transforms the work, *Authors Guild, Inc. v. HathiTrust*, 11 CV 6351 HB, 2012 WL 4808939 (S.D.N.Y. Oct. 10, 2012), or uses that incorporate and comment on the work more directly. See, e.g., *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir.2006); see generally Pamela Samuelson, *Unbundling Fair Uses*, 77 *FORDHAM L. REV.* 2537 (2009) (reviewing the wide variety of uses that are permitted under fair use).

⁸⁴ For a series of recent worldwide surveys of limitations and exceptions for various categories of users (e.g., for libraries and archives, visually impaired, for educational and research uses), see *Limitations and Exceptions—Studies and Presentations*, WORLD INTELL. PROP. OFFICE, <http://www.wipo.int/copyright/en/limitations/studies.html>.

⁸⁵ See Jennifer Urban, *How Fair Use Can Help Solve the Orphan Works Problem*, 27 *BERKELEY TECH. L.J.* (forthcoming 2013), available at <http://ssrn.com/abstract=2089526>.

⁸⁶ REPORT ON ORPHAN WORKS BEST CHALLENGES FOR LIBRARIES, ARCHIVES AND OTHER MEMORY INSTITUTIONS (Jan. 2013), available at <http://centerforsocialmedia.org/orphan>.

would be required to quell conflict of interest concerns. Similarly, other hybrid solutions involve more complex arrangements between various parties involved in the search, but because those systems are relatively new or in the proposal stage, little information is available about how searches work in practice.

One notable commonality, however, is that most approaches require at least one party to conduct a search for rightsholders. More research is needed to understand the relative costs and benefits of allocating search responsibility to different parties, such as the end user or a CMO. This research is especially needed to understand systems—such as ECL or the hybrid models described above—that raise other more complex concerns regarding conflicts of interest and potential fiduciary responsibilities to the orphan works rightsholders, and to enable policymakers to develop an understanding of the most appropriate and efficient allocation of the costs of searching for owners.