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# Recent Developments in US Copyright Law: Part I - "Orphan" Works

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## Recent Developments in US Copyright Law: Part I – “Orphan” Works

--Jane C. Ginsburg, Columbia University School of Law\*

### Abstract

*This Comment, after a brief review of the nature of the orphan works problem and prior attempts to resolve it in the US, will analyze the current bills' provisions, both with respect to the limitation of remedies that constitutes the proposals' centerpiece, and to the conditions required to qualify for the limitation. I will also compare the US proposals with current European initiatives, and will assess the compatibility of the US proposals with international treaty norms, as well as the cross-border consequences of inconsistent US and EU orphan works regimes. I will conclude with some suggestions for amending the US proposals to enhance their international compatibility and to reconcile the interests of users more fully with those of the works' creators.*

This is the first of two Parts of Recent Developments in US Copyright Law since 2005. The current installment addresses legislative activity; the next installment (in the October 2008 RIDA) will analyze the case law. No new copyright legislation has been enacted since 2005.<sup>1</sup> Many bills have been proposed, most of them unsuccessful or unlikely of passage.<sup>2</sup> One initiative, however, bears examination, because it concerns a problem that has drawn attention in both the United States and the European Union.<sup>3</sup> Moreover, it is probable that some solution will be enacted, albeit perhaps not by the current Congress, whose Term expires at the end of 2008. The problem concerns the exploitation of works whose authors or right holders cannot be located, more familiarly known as “orphan works.” This *Chronique*, after a brief review of the nature of the

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\* Many thanks for information concerning orphan works initiatives in the European Union to Tarja Koskinen-Olsson, Honorary President of IFRRO – International Federation of Reproduction Rights Organisations, who was a member of the Copyright Subgroup of the i2010 Digital Libraries High Level Expert Group, and principal drafter of the Orphan Works section of the Subgroup's Final Report, see *infra* note 2. Thanks for research assistance to Emily Weiss, Columbia Law School JD class of 2009.

<sup>1</sup> The most recently enacted law, the “Copyright Royalty Judges Program Technical Corrections Act,” P.L. 109-303, 109<sup>th</sup> Cong. 2d Sess, was passed in January 2006. As the title suggests, it concerns amendments to the organization of the copyright royalty boards that administer compulsory licenses under the 1976 copyright act.

<sup>2</sup> See [www.copyright.gov/legislation](http://www.copyright.gov/legislation). For an example of a bill whose enactment seems unlikely, see S 2591, 110<sup>th</sup> Cong. 2d Sess. (“To amend chapter 1 of title 17, United States Code, to provide an exemption from exclusive rights in copyright for certain nonprofit organizations to display live football games . . .”).

<sup>3</sup> See i2010: Digital Libraries High Level Expert Group – Copyright Subgroup, Final Report on Digital Preservation, Orphan Works, and Out-of-Print Works (3 June 2008), available at [http://ec.europa.eu/information\\_society/newsroom/cf/document.cfm?action=display&doc\\_id=295](http://ec.europa.eu/information_society/newsroom/cf/document.cfm?action=display&doc_id=295) [hereinafter EU Copyright Subgroup Final Report] and reports cited *infra*, note 4.

orphan works problem and prior attempts to resolve it in the US (I), will analyze the current bills' provisions (II), both with respect to the limitation of remedies that constitutes the proposals' centerpiece (A), and to the conditions required to qualify for the limitation (B). I will also (III) compare the US proposals with current European initiatives (A), and will assess the compatibility of the US proposals with international treaty norms (B), as well as the cross-border consequences of inconsistent US and EU orphan works regimes (C). I will conclude with some suggestions for amending the US proposals to enhance their international compatibility and to reconcile the interests of users more fully with those of the works' creators.

## I. Background

### A. Nature of the problem

Would-be users who are unable to locate the copyright owner, but whose use or exploitation would not qualify for a copyright limitation or exception (such as fair use), must decide whether to renounce their projects or to incur the risk that the copyright owner will reappear once the exploitation is underway, and will demand both injunctive and substantial monetary relief in an ensuing infringement action. Potentially frustrated users range widely, from commercial entities who seek to reissue out-of-print works or to create new works based on "orphan" works, to cultural institutions, notably museums and libraries, who seek to digitize works for preservation and educational purposes,<sup>4</sup> to individuals who seek to incorporate an "orphan" work in their webpage or blog. The US Register of Copyrights has deemed the orphan works problem "pervasive."<sup>5</sup>

The intensity of the problem varies with the nature of the work. Chains of title may be more reliable and prevalent in some sectors, for example musical compositions

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<sup>4</sup> The European endeavors concerning orphan works have taken place primarily in the context of the Commission's "i2010 initiative" on digital libraries. See Communication "i2010: digital libraries" of 30 September 2005, COM(2005) 465 final; Commission Recommendation of 24 August 2006, on the digitisation and online accessibility of cultural material and digital preservation (2006/585/EC), OJEU L 236/28 (31.8.2006), Recital 10; Recommendation 6(a)(c), available at [http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/recommendation/recommendation\\_ugust06/en.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/recommendation/recommendation_ugust06/en.pdf)

<sup>5</sup> See Statement of Marybeth Peters, Register of Copyrights, before the Subcommittee on Courts, the Internet, and Intellectual Property, Committee on the Judiciary, United States House of Representatives, 110th Congress, 2nd Session, March 13, 2008, available at <http://www.copyright.gov/docs/regstat031308.html> [hereinafter Statement of Marybeth Peters]: "In fact, the most striking aspect of orphan works is that the frustrations are pervasive in a way that many copyright problems are not. When a copyright owner cannot be identified or is unlocatable, potential users abandon important, productive projects, many of which would be beneficial to our national heritage. Scholars cannot use the important letters, images and manuscripts they search out in archives or private homes, other than in the limited manner permitted by fair use or the first sale doctrine. Publishers cannot recirculate works or publish obscure materials that have been all but lost to the world. Museums are stymied in their creation of exhibitions, books, websites and other educational programs, particularly when the project would include the use of multiple works. Archives cannot make rare footage available to wider audiences. Documentary filmmakers must exclude certain manuscripts, images, sound recordings and other important source material from their films."

and commercially published print works, than in others, particularly photographs.<sup>6</sup> Moreover, the number of unlocatable owners of currently unexploited works is likely to increase with the expanded length of the copyright term,<sup>7</sup> particularly if rightholders do not keep copyright management information up to date.<sup>8</sup> The number of potentially unlocatable rightowners may also increase if the scope of transfers of rights excludes, or is ambiguous regarding, different types of exploitations,<sup>9</sup> particularly those enabled by new technologies. If the author retained the rights to particular kinds of exploitations or to new media, then locating the original publisher may not assist the would-be exploiter whose use exceeds the scope of the original grant: If the publisher did not receive the

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<sup>6</sup> See, e.g., Agnieszka Vetulani, *The Problem of Orphan Works in the EU: An overview of legislative solutions and main actions in this field*, report prepared for European Commission DG Information Society and Media Unit E4: Digital Libraries and Public Sector Information, p. 7 (February 2008); Conseil Supérieur de la Propriété Littéraire et Artistique, *Commission sur les oeuvres orphelines*, Rapport, pp. 12-14 (19 March 2008); Comments of the American Society of Authors, Composers and Publishers Regarding Orphan Works, OW0628-ASCAP.pdf (25 March 2005)(asserting no orphanage of non dramatic public performance rights in musical compositions); College Art Association, *Comments on Orphan Works Notice of Inquiry*, OW0647-CAA.pdf, pp. 7, 9-13 (25 March 2005) (emphasizing difficulty of identifying copyright owner of photographs).

<sup>7</sup> The 1998 “Sonny Bono Copyright Term Extension Act” increased the copyright term from life-plus-50 years to life plus 70 years for works created as of 1978, and from 75 years from publication to 95 years from publication for works published before 1978 (and, with respect to works published before 1964, whose first terms of copyright had been renewed). See 17 U.S.C. §§ 301-304.

<sup>8</sup> The relaxation of formalities that followed enactment of the 1976 Copyright Act and the 1988 Berne Convention Implementation Act may also contribute to making it difficult to find the owner, as it is no longer necessary to include a notice of copyright on publicly-distributed copies, nor to register the work with the Copyright Office (though registration remains a prerequisite to suit if the work is of US origin, as well as to certain remedies for all works) nor to renew the registration. See, e.g., Register of Copyrights, *Report on Orphan Works*, 41-44 (2006) available at <http://www.copyright.gov/orphan/orphan-report-full.pdf> [hereinafter Copyright Office Report].

The extent to which the reduction of formalities is in fact a significant cause of the orphan works problem may, however, be open to question. The copyright owner of a formalities-compliant work might still prove unlocatable today because even mandatory copyright formalities did not require constant updating. Thus, the information identifying the author or copyright owner of a work published with notice in 1930 whose registration was renewed in 1958 (and whose copyright will endure until 2025) will today be 50 years old. The likelihood that the information in the 1958 renewal certificate remains accurate may not be very high. Were recordation of transfers mandatory, then that formality could generate more useful and reliable information concerning right holders, but recordation is not now, and was not previously, a formality whose non-observance resulted in loss of copyright protection.

<sup>9</sup> One consequence of “divisible” copyright, introduced in the 1976 Copyright Act, is to proliferate the number of potential rightholders, as “Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately,.” 17 USC § 201(d)(2). See Jessica Litman, *Sharing and Stealing*, 26 COMM/ENT 1, 18–21 (2004); “largely because of the adoption of divisibility of copyright, in many if not most cases, it can be difficult and sometimes impossible to discover who the copyright owners of all of those rights are.” In many European countries, “divisible” copyright has long been the rule, see e.g., France Code of intellectual property, art. L. 131-3. On the relationship of multiple ownership of rights in works to the problem of orphan works in the EU, see, e.g., Stef van Gompel, *Unlocking the Potential of Pre-Existing Content: How to Address the Issue of Orphan Works in Europe?*, 38 IIC 669, 675-77 (2007).

A further complication, prevalent in Europe, arises from the changes in national borders throughout the 20<sup>th</sup> century. As a result of the life-plus-70 term in the EU, a work first published in an Eastern European country in 1915, whose author died in 1950, will still be protected until 2020, but its country of origin may have changed several times since its initial publication. See Vetulani, *supra* note 6, at 7.

relevant rights, it cannot grant them to the would-be exploiter.<sup>10</sup> But if the authors (or their heirs), who are the residual right holders, cannot be found, then the would-be exploiter is faced with the same quandary as outlined above.

The problem of identifying the right owner, while perhaps exacerbated by the age of the work, is not confined to older works; at least some of the potentially “orphaned” works may be of recent vintage. Pictorial and graphic works, particularly photographs and illustrations in digital form, may be at risk of “imposed orphanage,” because third parties can digitize the works without identifying information, or if the works are already in digital form, their identifying information can be removed and the works re-circulated without apparent attribution.<sup>11</sup>

An orphan works regime must therefore aim to make works more widely available by reducing the exploiter’s risk with respect to truly “orphaned” works while avoiding the other extreme of thrusting “orphanage” upon works whose right holders can in fact be found. The solution adopted must also be consistent with international obligations under the Berne Convention and the TRIPs Accord. For the United States, this means that orphan works legislation should not occasion back door reimposition of formalities that condition the “enjoyment or exercise” of copyright.<sup>12</sup> In theory, a bill could “two-tier” reimposition of formalities, to limit the obligations to US works,<sup>13</sup> but in practice this solution may not significantly lessen exploiters’ burden, because in many cases exploiters will have to spend resources in order to determine whether or not the work was of US origin.

An additional Berne/TRIPs constraint concerns unpublished works. Article 9.2 of the Berne Convention authorizes member states to provide exceptions and limitations to the reproduction right “in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.” This provision does not explicitly exclude unpublished works from the range of permissible exceptions, but the “legitimate interests of the author” almost certainly include the interest in determining whether her work shall be publicly disclosed. Berne Conv. article 10.1 supports this interpretation, because it limits the quotation right to “a work which has already been lawfully made available to the public.”<sup>14</sup> It is difficult to imagine how the nonconsensual general disclosure of a living author’s work would not “unreasonably prejudice” her legitimate interest.

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<sup>10</sup> Cf. *Random House v. Rosetta Books*, 150 F.Supp.2d 613 (SDNY 2001), *aff’d*, 283 F.3d 490 (2d Cir. 2002)(rejecting infringement claim by original publisher of paper-format books against publisher of eBooks to whom the authors had granted their electronic rights).

<sup>11</sup> See, e.g., Brad Holland & Cynthia Turner, Comments on Orphan Works Notice of Inquiry, OW0660-Holland-Turner.pdf (24 March 2005); Stephen Morris, Professional Photographers of America, Comments on Orphan Works Notice of Inquiry, OW0642-PPA.pdf (25 March 2005).

<sup>12</sup> See Berne Convention, art. 5.2.

<sup>13</sup> *Id.*, art. 5.4 (application of local law in country of origin). See, e.g., 17 USC § 411 (requiring copyright registration of U.S. works as a prerequisite to initiation of an infringement action).

<sup>14</sup> See Sam Ricketson and Jane C. Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond* ¶¶ 10.37, 13.29, 13.63, 13.71 (2006) for further development of the proposition that the Berne Convention implicitly incorporates a moral right of disclosure or divulgation.

Nonetheless, it is not necessary to exclude *all* unpublished works (or all uses of them) from an orphan works regime because not all “unpublished” works are undivulged; for example, public performance is not a “publication” under US law.<sup>15</sup> Moreover, the legitimate interests of deceased authors with respect to their undivulged works may be relatively attenuated compared to the public benefit to be gained from the orphaned works’ post mortem disclosure. Similarly, these authors’ legitimate interests might not be “unreasonably prejudiced” were the user to seek to digitize and preserve the undisclosed works in a limited access archive. An orphan works regime which covered all uses of all undisclosed works, however, may risk incompatibility with international norms. In addition, an orphan works regime which does not take into account the desire of some living authors that their works *not* be released could also be in tension with basic US copyright policy. The “progress of knowledge” to which US copyright aspires is achieved not only by putting works into circulation, but also by fostering conditions conducive to creativity. A regime that facilitates unauthorized publication of private journals and drafts may not favor authorial undertakings in the long run. That said, none of the US bills on orphan works has yet made special provision for undivulged works.<sup>16</sup>

## B. History of the Current Proposals<sup>17</sup>

In 2005, the Chairs and Ranking Members of the Senate and House committees with jurisdiction over copyright legislation asked the Copyright Office to study and make recommendations regarding orphan works. The Copyright Office’s report, issued in 2006, followed a period of public commentary (over 850 initial and reply comments were submitted by individuals, cultural institutions, authors and authors’ societies, and commercial copyright holders), roundtable discussions, and other consultations.<sup>18</sup> The Office considered a variety of approaches, including a government-administered licensing program like the one implemented in Canada,<sup>19</sup> but, consistent with the predominant solution advanced in the submissions, recommended legislation limiting the remedies against infringers whose use followed a “reasonably diligent search” for the rightholders.<sup>20</sup> The Office did not specifically define reasonable diligence, preferring to leave the detail to the development of best practices in the various copyright sectors.<sup>21</sup> A bill incorporating the Office’s recommended language was proposed in 2006,<sup>22</sup> but did not pass. The bill’s lack of detail concerning what would constitute a “reasonably diligent search,” drew opposition both from users seeking greater certainty that their efforts would pass muster, and from some copyright owners, notably photographers and

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<sup>15</sup> See 17 USC § 101 (definition of “publication”).

<sup>16</sup> See generally Vigdis Bronder, Note, Saving the Right Orphans: The Special Case of Unpublished Orphan Works, 31 Colum. J.L. & Arts 409 (2008). By contrast, the Canadian response to the problem of works whose copyright owners are “unlocatable,” excludes unpublished works, see Copyright Act of Canada, sec. 77(1)(a).

<sup>17</sup> Full documentation may be found at <http://www.copyright.gov/orphan/>.

<sup>18</sup> See Copyright Office Report at 1 (2006).

<sup>19</sup> Copyright Act of Canada, s. 77, see <http://cb-cda.gc.ca/unlocatable/brochure-e.html> See also EU Copyright Subgroup Final Report at 112 (“Other regimes where a public body may issue the license”); Vetulani, *supra* note 6, at 9-11; van Gompel, *supra* note 9, at 692-94.

<sup>20</sup> See Copyright Office Report at 112-14.

<sup>21</sup> *Id.* at 98-99.

<sup>22</sup> HR 5439, 109 Cong., 2d sess. (2006), “Orphan Works Act of 2006”.

other visual artists, who feared that their digitized works could be rendered untraceable, and thus vulnerable to orphan works limitations.<sup>23</sup>

The current House and Senate bills (which are similar but not identical), were introduced in April 2008.<sup>24</sup> Like the 2006 version, the current bills seek to alleviate the risk of exploiting a work whose rightholder is unlocatable by limiting the remedies available against the user in the event the rightholder reappears and initiates an infringement action. The current proposals set out the conditions on availability of the limitation on remedies in greater detail than the 2006 version, but still leave much to private negotiation and business practice.

## II. Presentation and Analysis of the 2008 Orphan Works proposed legislation

Because the cornerstone of the legislation is the limitation on remedies available against a good-faith user who was unable to locate the rightholder(s), we will first examine the bills' remedial structure (A), and then will address the conditions on availability of the remedies' limitations (B). Both the House and Senate versions of the proposal would create a new section 514 to Title 17 of the United States Code. Chapter 5, to which the orphan works legislation would be added, is the remedies provision of the 1976 Copyright Act.<sup>25</sup>

### A. Limitation of remedies

The bills would not absolve the exploiter of liability; indeed, both bills label the exploiter the "infringer." This designation is consistent with the bills' expectation that the uses will not qualify for an exemption, such as fair use, or a more specific exception or limitation. The proposals nonetheless specify that the bills do not affect any defenses to copyright infringement, including fair use, nor do they supersede statutory licenses.<sup>26</sup> The bills reduce the good-faith user's risk both with respect to monetary (1) and injunctive (2) relief. If the copyright owner does not reappear, then the orphan works user will continue freely (in both senses of the word) to exploit the work.<sup>27</sup>

#### 1. Monetary relief

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<sup>23</sup> See Statement of Marybeth Peters (describing response of copyright community to 2006 bill). For the reactions of visual artists to the orphan works bill, see generally Illustrators' Partnership Orphan Works Blog, at <http://ipaorphanworks.blogspot.com>.

<sup>24</sup> H.R. 5889, S. 2913, 110<sup>th</sup> Cong, 2d sess., introduced 24 April 2008.

<sup>25</sup> See 17 USC §§ 501et seq.

<sup>26</sup> See proposed § 514(e).

<sup>27</sup> Compare i2010 Digital Libraries High Level Expert Group (HLG), Copyright Subgroup, Key Principles for Orphan Works and Out-of-Print Works Databases (DB) and Rights Clearance Centres (RCC); i2010 Digital Libraries Copyright Subgroup's Recommended Key Principles for Rights Clearance Centers and Databases for Orphan Works (26 November 2007): both sets of Principles anticipate that the user will pay a license fee to a Rights Clearance Center, regardless of whether the owner is ultimately found.

Both bills would limit the exploiter's exposure to monetary relief to "reasonable compensation."<sup>28</sup> Section 514(a)(4) defines "reasonable compensation" as "the amount" a willing buyer and seller would have agreed "with respect to the infringing use *immediately before the infringement began*" (emphasis supplied). This language thus appears to exclude the infringer's profits (above and beyond profits "not taken into account in computing the actual damages"<sup>29</sup>) from the measure of "reasonable compensation." It is unclear whether the text would also exclude a percentage-based royalty: "the amount" of such a royalty cannot be reduced to a fixed sum because it will be indeterminate before the work is exploited. Indeed, it will remain indeterminate throughout the period of exploitation. Some kinds of uses, when licensed, may be paid for on a one-off basis, but others would typically be authorized in return for royalties.<sup>30</sup> If "the amount" can be understood to mean "the basis on which a sum will be calculated," then the term can encompass a percentage royalty, and thereby avoid some inequities and possibly unintended consequences. For example, if the use proved enormously lucrative, but its success could not have been anticipated, the "legal or beneficial owner"<sup>31</sup> will not share in the proceeds of the exploitation if "amount" means pre-determined fixed sum, but will share in the proceeds if "amount" includes a stated percentage royalty.<sup>32</sup>

The "reasonable compensation" defined by the orphan works bill recalls the Second Circuit's analysis of "actual damages" under § 504(b) in *Davis v The Gap*.<sup>33</sup> There, Judge Leval ruled that the \$50 "fair market value" one-off licensing fee that the plaintiff photographer would have charged, had the infringer sought a license to use the plaintiff's photograph in an advertisement, constituted proof of actual damages. But § 504 also allows the plaintiff to claim its share of the defendant's profits if he can prove them (which, on the facts of his case, Davis could not). By contrast, proposed § 514 does not extend to profits. As a result, the difference in monetary relief could be significant if the orphan work user's exploitation turns out to be very profitable (though including a percentage royalty within the concept of "reasonable compensation" may diminish the discrepancy).

The most significant difference in remedies available to copyright owners of orphan works compared with "parented" works is the unavailability of statutory damages. If the work qualifies for statutory damages, then the copyright owner need not prove actual losses (or infringer's profits). Rather the statute allows the court to award between \$750 and \$30,000 per work infringed, with an increase of up to \$150,000 per work if the

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<sup>28</sup> See proposed §514(c)(1)(A).

<sup>29</sup> 17 U.S.C. § 504(b).

<sup>30</sup> The Copyright Office Report appears to assume that "reasonable compensation" may be in the form of a royalty as well as a single payment, see pp. 117-18.

<sup>31</sup> The "beneficial owner" includes authors who assigned rights subject to continuing royalties, see H.R. Rep. No. 94-1476, at 159 (1976); § 501(b) grants beneficial owners standing to sue for infringement.

<sup>32</sup> In support of the latter construction, compare proposed § 514(c)(1)(B), which exempts certain non profit users from payment of "reasonable compensation," but requires that they share any "proceeds directly attributable to the infringement." If "the amount" of "reasonable compensation" owed by commercial infringers excludes a share of proceeds, then non profit infringers could end up paying more than commercial infringers; such a result seems unlikely to have been intended.

<sup>33</sup> 246 F.3d 152 (2d Cir. 2001) (Leval, J.). See Register of Copyrights, Report on Orphan Works at 116

infringement was willful.<sup>34</sup> If the “fair market value”-based “reasonable compensation” for the orphan work would have been \$50 (as was the case for Davis’ photograph), but the rightholder could have claimed statutory damages, then the difference in monetary relief would have been at least \$700. The bills’ disallowance of statutory damages thus could, at least in theory, significantly reduce the risk of exploiting orphan works. The risk reduction may, however, in many cases be more theoretical than factual because of the statutory conditions on qualifying for statutory damages. Statutory damages are available only for works which were registered with the Copyright Office before the commission of the infringement.<sup>35</sup> With respect to the class of orphan works which lack findable “parents” because the works were never registered for copyright, the disqualification of statutory damages makes no difference because the owners of those works could not have been awarded statutory damages in any event.<sup>36</sup>

## 2. Injunctive relief

Limiting monetary recovery may reasonably balance the interests of the good faith infringer and those of the reappearing right holder (assuming the work is truly “orphaned”) because injunctive relief remains available, including against non profit users.<sup>37</sup> Arguably, the availability of injunctive relief works a hardship on those users who expended (and may not have recouped) resources in order engage in the exploitation; perhaps therefore the reappearing author or right owner should be required in effect to buy out the good faith infringer, by compensating him for his unrecouped sunk costs. But a buy-out solution may err too far in the other direction, and could be in tension with international obligations to cabin exceptions and limitations.<sup>38</sup>

The “orphan works” bill does not, in any event, disregard the reliance interests of all good faith infringers because it sets out one very significant exception to the availability of injunctive relief: where the infringer “has prepared or commenced preparation of a work that recasts, transforms, adapts, or integrates the infringed work with a significant amount of the infringer’s original expression,” the legal or beneficial owner may obtain only “reasonable compensation,” and attribution, if the owner so

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<sup>34</sup> 17 USC § 504(c).

<sup>35</sup> *Id.* §412.

<sup>36</sup> As discussed *supra*, note 8, it is not clear how many works are “orphaned” as a result of failure to register, and how many lack “parents,” despite registration, because the information in the registration is out of date and no other information pointing to the rightowners is available. See Copyright Office report, *supra* note 8, at 21-36 (detailing “obstacles to identifying and locating copyright owners”).

<sup>37</sup> See proposed § 514(c)(2).

<sup>38</sup> In *Golan v. Gonzales*, 501 F.3d 1179, 1196 n. 5 (10th Cir. 2007), in assessing the constitutionality of 17 USC § 104A, which restores the copyrights in Berne Convention country works which fell into the public domain in the US, notably for failure to comply with US formalities, the court suggested that the buy-out approach might be a response to the problem of § 104A reliance parties constitutionally preferable to the 12-month grace period and sell-off allowance currently provided in § 104A(d)(2). But this footnote endorsement occurred in the context of parties who had exploited works which had been in the public domain. “Orphan works” are not in the public domain, and equating them with public domain works is problematic.

requests.<sup>39</sup> The infringer may not only continue to exploit the work, she may claim copyright in it, despite its incorporation of infringing material.<sup>40</sup>

If “reasonable compensation” as defined does not include a continuing royalty, then this provision provides for far less than a compulsory license. A one-off payment, moreover, may favor the interests of second authors over the interests of the initial authors to an extent incompatible with the international obligation not to “unreasonably prejudice the legitimate interests of the author.” Hence another reason to avoid construing “the amount” as a predetermined fixed sum. In that respect, one might look to the “reliance party” provision of § 104A(d)(3), restoring US copyright in Berne Convention and other foreign works. This provision concerns “existing derivative works,” which appears to have inspired proposed § 514(c)(2)(B). Section 104A(d)(3) allows continued exploitation for the duration of the restored work’s copyright term of a derivative work created before 1995 and based on a copyright-restored work, subject to “reasonable compensation.” Section 104A(h) does not define that term, but in the absence of the parties’ agreement, § 104A(d)(3) directs a court to determine “the amount of such compensation.” The factors § 104A(d)(3) articulates for the court’s consideration are sufficiently open-ended that “the amount” contemplated by § 104A(d)(3) could well include a percentage-based royalty, especially given the potentially long duration of the derivative use.

The unavailability of injunctive relief with respect to derivative works poses other problems as well. First, it does not accommodate the author’s or right owner’s moral and economic interests in determining what kinds of derivative works to authorize. The vague language “commenced preparation” and “significant amount of the infringer’s original expression” could further erode the control over the work that the copyright law normally confers with respect to uses that are neither “fair” nor subject to statutory licenses. The bills as currently drafted, moreover, do not clearly require that the “preparation” of the derivative work have “commenced” only after the infringer performed and documented the “qualifying search” required in § 514(b)(1)(A). Subsection (i) requires that the search be done “before the infringement began,” but if preparation of a derivative work is merely “commenced,” has the infringement yet begun? To avoid races to “commence” the maximum number of derivative works and other absurd results, it will be necessary to interpret “commenced preparation” co-extensively with “infringement began,” so that the qualifying search precedes any commencement of preparation of any derivative work.

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<sup>39</sup> See proposed § 514(c)(2)(B).

<sup>40</sup> See proposed § 514(f) (infringer who qualifies for limitation on remedies “shall not be denied copyright protection in a compilation or derivative work on the basis that such compilation or derivative work employs preexisting material that has been used unlawfully under this section.”). By contrast, under § 103(a), “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.” Thus, for example, a derivative work based on a pre-existing non-orphaned work may not enjoy a copyright, see, e.g., *Anderson v Stallone*, 11 U.S.P.Q.2D 1161 (C.D.Cal.1989) (unauthorized screenplay based on previous “Rocky” films), while, under the bills, the creator of a derivative work based on an orphan work may claim copyright in the derivative work.

Second, the preclusion of injunctive relief appears to be of unlimited duration, thus obliging authors permanently to tolerate even derivative uses they find offensive or that distort their works. The persistence of the unwanted derivative work has economic consequences as well: because the author will not be able to prevent the continued circulation of the derivative work, she will not be able to grant exclusive derivative work rights to a third party. The bill thus potentially devalues the derivative work right.<sup>41</sup>

Third, the obligation to attribute the underlying work to the legal or beneficial copyright owner does not necessarily include an obligation to attribute the underlying work to its creator. The author may no longer be the copyright owner (or may never have been an owner or even a statutory “author” because the creator was an employee for hire<sup>42</sup>). If the author retains a percentage interest, she is a “beneficial owner,” and therefore comes within the attribution obligation, but many authors transfer rights for a lump sum (or no payment at all). The bills do not oblige the derivative works author to credit these authors.<sup>43</sup>

#### B. Conditions on eligibility for limitation on remedies

The limitations on remedies apply only if the infringer has met the bills’ multiple conditions. These require the alleged good faith infringer to perform and document a “qualifying search,” despite which the copyright owner remained unlocatable; before using the work, the good faith infringer must have filed a Notice of Use with the Copyright Office, who will also prescribe a symbol of use to include with the use; the good faith infringer must attribute the work to its copyright owner(s); and the infringer must have consented to the jurisdiction of US courts in the event of an infringement claim by a reappearing rightholder.<sup>44</sup>

Should the rightholder reappear and serve the infringer with a “notice of a claim for infringement”,<sup>45</sup> the infringer must also “negotiate reasonable compensation in good faith with the copyright owner,” and “render payment of reasonable compensation in a reasonably timely manner.”<sup>46</sup> If the infringer neither negotiates nor pays, she will not

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<sup>41</sup> Worse, the author’s inalienable right under § 203 to terminate transfers of rights 35 years after the grant right would not affect these derivative works: Even if the legal authorization of the derivative work were treated as a transfer, the termination right does not reach derivative works created before the effective date of the termination, § 203(b)(1). The termination right does cut off future derivative works, but, because any new derivative works - including adaptations of the orphan works infringer’s earlier derivative work - necessarily incorporate portions of the underlying no-longer-orphaned work, an orphan works infringer would already not be entitled to make new derivative works once the copyright owner reappears and objects.

<sup>42</sup> See 17 USC §§ 101 (definition of work for hire), 201(b) (naming employer or certain commissioning parties of a “work for hire” as the copyright owner).

<sup>43</sup> To the same effect, see proposed § 514(b)(1)(A)(iii). By contrast, the 2006 version of the bill generally required attribution of the author, see H.R. 5439, 109<sup>th</sup> Cong. 2d sess., “Orphan Works Act of 2006,” §514(a)(1)(B). On the policy arguments for extending attribution requirements to authors, see Section II.B.3, *infra*.

<sup>44</sup> See proposed § 514((b)(1).

<sup>45</sup> See proposed §514(a)(2), (b)(1)(B).

<sup>46</sup> See proposed § 514(b)(1)(B).

qualify for the limitation of remedies. By contrast, presumably, if the infringer negotiates in good faith but fails to come to an agreement with the copyright owner on “reasonable compensation,” the infringer’s failure to “render payment” of the amount the copyright owner wanted will not oblige the infringer to pay more than the amount a court ultimately sets as “reasonable compensation” in an ensuing infringement action (whether that amount corresponds to what the infringer was willing to pay, or what the copyright owner wanted, or something in between).

The overall purpose of this additional condition appears to be to keep infringement claims out of the courts by in effect requiring settlement negotiations. If the infringer negotiates in good faith, it may not be in the copyright owner’s interest to litigate the claim because the costs of litigation are likely to exceed the “reasonable compensation” that a court will award. If the infringer does not negotiate in good faith, an infringement action may be worth the candle, at least if the infringer has made profits that could be awarded to the copyright owner. But if the “orphan” work had not been registered prior to the infringement (as may often be the case), the copyright owner will qualify for neither statutory damages nor attorneys’ fees to offset the costs of the litigation.

The following sections will analyze the requirements for a “qualifying search” (1), as well as additional exclusions from the liability limitation (2).

### 1. “Qualifying Search”

The most important purpose of the §514(b) conditions on the remedies limitation is to ensure that the works at issue truly are “orphaned.” The smaller the universe of “orphan” works, the less likely that copyright owners will reappear, and the less likely, therefore, that negotiations -- and potentially ensuing judicial second-guessing -- over what constitutes “reasonable compensation” will need to take place. The bills’ provisions on “qualifying searches” are supposed to carry out the task of ensuring that specious “orphans” do not end up in the pool of parentless works whose unauthorized exploitation the bills seek to encourage. Making sure that the “orphan” category is accurately circumscribed is essential to the bill’s fairness and to its consistency with international norms. In this respect, it is important to appreciate that the bill is not designed to shortcut title searching. An “orphan work” is not one whose author or right holder is costly or onerous to find; it is one whose rightholder, despite the user’s expenditure of effort and resources, remains unlocatable. That said, a side benefit of the bill may be to make rights-clearance easier, and, one may hope, cheaper, for all users of all works, whether or not “orphaned,” by publicizing and systematizing the information a would-be user should be gathering with respect to any work whose right holders are not already known to the user, and by encouraging the development of professional title searching businesses, as well as of right holder databases and rights-clearance guidelines of interested associations and organizations.<sup>47</sup>

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<sup>47</sup> The EU Copyright Subgroup Final Report stresses the importance of facilitating rights clearance and of developing databases of information leading to rightholders. See sections 5.1, 5.5, 9.1, 9.2, 9.4. See also

The bills define a “qualifying search” as a “diligent effort to locate the owner of the infringed copyright.”<sup>48</sup> Diligence is assessed with reference, *inter alia*, to “best practices” collected by Copyright Office.<sup>49</sup> The search may include recourse to paid search services.<sup>50</sup> To assist searching, section 3 of the bills provides that the Copyright Office is to keep a database of pictorial, graphic and sculptural works, and the effective date of the act, with respect to those works, is delayed by four years (1/1/09 for other works; 1/1/13 for pictorial, graphic and sculptural works). One may infer that these provisions, which did not exist in the 2006 version of the bill, are designed to reassure photographers and other visual artists that their works will not be vulnerable to enforced “orphanage.” It is worth noting that where registration, at \$45 per work, can entail significant costs for photographers and illustrators, the database of pictorial, graphic and sculptural works does not appear to be established at the creators’ expense, and therefore removes the disincentive to registration that resulted from the fee required under § 408.<sup>51</sup>

The bill does not provide much detail concerning the standards for a “qualifying search,” probably because Congress may have determined that it is not the most competent institution to articulate standards which are likely to vary by creative sector as well as by the nature of the use,<sup>52</sup> and to evolve with technology. The Copyright Office is more institutionally equipped than Congress to gather the relevant information and to specify the “materials and standards” requisite to searching,<sup>53</sup> particularly in a way that timely responds to changing conditions.

Because the “facts relevant to that search” affect the standard of “reasonable and appropriate” diligence,<sup>54</sup> the question arises whether the bills may therefore allow for a more or less exigent standard depending on the nature of the user as well as the use. For example, one may be concerned that the required diligence of the search will prove beyond the means of non professional exploiters. While at first blush a sliding scale of diligence depending on the nature of the user would seem both reasonable and consistent with the bills’ overall goals to favor the exploitation of orphan works, providing a more forgiving standard for the benefit of non professional (or modest professional) users would be problematic for at least two reasons. First, 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. This result is in tension with another goal of the bills, to ensure that the limitations on liability pertain only to works that are truly orphaned. Unlike the some-

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i2010 Digital Libraries Copyright Subgroup’s Recommended Key Principles for Rights Clearance Centers and Databases for Orphan Works.

<sup>48</sup> See proposed § 514(b)(2)(A)(i).

<sup>49</sup> See proposed § 514(b)(2)(A)(ii)(II), § 514(b)(2) (B)(i).

<sup>50</sup> See proposed § 514(a)(1)(D). Cf. Copyright Subgroup Final Report at 15, “Diligent search guidelines” “Any regulatory initiative should refrain from prescribing minimum search steps or information sources to be consulted, due to rapidly changing information sources and search techniques.”

<sup>51</sup> It is, however, possible for a single fee to make a group registration of up to 750 photographs by the same photographer if all were published within the same calendar year, and all photographs have the same copyright claimant, see <http://www.copyright.gov/fls/fl124.html>.

<sup>52</sup> See proposed § 514(a)(1)(D).

<sup>53</sup> See proposed § 514 (b)(2)(B)(ii).

<sup>54</sup> See proposed 514(b)(2)(A)(ii)(I).

time prisoners of the Pirates of Penzance, the bills should not encourage opportunistic and occasional orphanage.<sup>55</sup> Second, even assuming that particular classes of good faith users are in fact unable to devote the resources necessary to locating the rightholders (and assuming that their location in fact requires substantial expenditure of resources), the bills' provision for injunction-proof derivative works<sup>56</sup> would mean that the reappearing copyright holders would be unable to prevent the persistence of even those adaptations of their works that violate their integrity or that, albeit non commercial in their own right, nonetheless compete with prospective licensed derivative works.<sup>57</sup> This consequence suggests that the level of diligence should be set consistently high. A lower bar may risk incompatibility with international norms restricting limitations on copyright.

The bills do not resolve the problem; if anything, they invite a multiplicity of potentially conflicting standards because they list among "materials and standards" "industry practices and guidelines of associations and organizations."<sup>58</sup> Different associations and organizations may propose different levels of diligence (and expense), as comparison of the "Principles for User Generated Content Services," promulgated by a group of copyright owners and commercial websites (including Viacom, Disney, Microsoft, Veoh and MySpace)<sup>59</sup> and the "Fair Use Principles for User Generated Video Content," proposed by a group of user-oriented organizations (including the Electronic Frontier Foundation and Public Knowledge)<sup>60</sup> illustrate in the context of guidelines for the removal of allegedly infringing material from user-generated content websites. In instructing the Copyright Office to "maintain . . . current statements of best practices for conducting and documenting a search,"<sup>61</sup> and to "from time to time, consider materials and standards that may be relevant to the requirements for a qualifying search,"<sup>62</sup> the bills may not clearly express Congressional intent that the Copyright Office select from among competing standards. One might nonetheless infer that intent from proposed § 514(b)(2)(A)(ii)(II), which requires the infringer to have "employed the applicable best practices maintained by the Register of Copyrights," because without a Copyright Office selection, it may be difficult to determine which of the potentially many competing standards was "applicable." On the other hand, the Copyright Office might be reluctant to undertake a normative task that Congress has not clearly delegated, and which might considerably reduce the flexibility and informativeness of the "best practices" enterprise.

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<sup>55</sup> W.S. Gilbert and Arthur Sullivan, *The Pirates of Penzance*, Act I, finale, "For he is an orphan boy, Hurrah for the orphan boy. And it is, it is a glorious thing to be an orphan boy." (prisoners captured by the Pirates of Penzance obtain their release by pretending to be orphans).

<sup>56</sup> See *supra* text accompanying notes 41-43.

<sup>57</sup> If the reappearing copyright owner cannot obtain an injunction against the continued availability of these derivative works, it would also follow that the copyright owner would be unable to compel the user's internet service provider to remove or block access to the derivative work under § 512(c).

<sup>58</sup> See proposed § 514(a)(1)(C).

<sup>59</sup> User Generated Content Principles, Principles for User Generated Content Services, <http://www.ugcprinciples.com>

<sup>60</sup> Electronic Frontier Foundation, Fair Use Principles for User Generated Video Content, [http://www.eff.org/files/UGC\\_Fair\\_Use\\_Best\\_Practices\\_0.pdf](http://www.eff.org/files/UGC_Fair_Use_Best_Practices_0.pdf)

<sup>61</sup> See proposed § 514(b)(2)(B)(i).

<sup>62</sup> See proposed § 514(b)(2)(B)(ii).

At the very least, the bill makes clear that absence of identifying information on “a particular copy or phonorecord . . . is not sufficient to meet the conditions” of a qualifying search.<sup>63</sup> One may infer that this caution, which also appeared in the 2006 version,<sup>64</sup> was included at the behest of photographers, visual artists, and other creators who fear that third party removal of identifying information and recirculation of anonymized copies will inappropriately impose “orphanage” upon their works.<sup>65</sup>

In certain cases, however, the level of diligence of the search for rightholders does not matter, because the bills exclude certain uses from the limitation on remedies.

## 2. Exclusions from the limitation on remedies

### a. Useful Articles

Proposed section 514(d) provides that the limitation on remedies is not available to those who fix the work “in or on a useful article that is offered for sale or other distribution to the public.” This provision, which was not in the 2006 version, is an important concession to visual artists. Section 113(a) of the copyright act gives authors of pictorial, graphic or sculptural works the exclusive “right to reproduce the work in or on any kind of article, whether useful or otherwise.” As a result, authors of pictorial, graphic and sculptural works control the market for t-shirts, coffee mugs, and other merchandizing properties that incorporate images of their work. These kinds of reproductions afford a significant source of income to many visual artists. Already concerned that their works might be unduly “orphaned,” visual artists also, one may infer, feared having to compete with unauthorized users of their work in a knick-knack market that may not be infinitely expandable. Keeping unauthorized users out of this sector, moreover, does little if any violence to the policies underlying the orphan works bill, to encourage reissuing and creative reuse of works too long lying fallow. Republishing or dramatizing an out of print novel promote the progress of knowledge without compromising the author’s incentives (at least not if the work is truly orphaned). The educational and cultural benefits from affixing an obscure photograph to a beer stein or shower curtain may well be of a lesser order. The costs to visual artists of improper

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<sup>63</sup> See proposed § 514(b)(2)(A)(iii).

<sup>64</sup> See H.R. 5439, 109<sup>th</sup> Cong., 2d sess. §514(a)(2)(B)(i)(II).

<sup>65</sup> The House version of the bill also includes a “Notice of Use Archive” - To qualify for the limitation on remedies, the infringer must also file a notice of use, which the Copyright Office is instructed to include in an archive which it is to create and maintain, see H.R. 5439, §514(b)(3). Some may find it ironic that while the copyright owner need no longer register in order to obtain copyright protection, a good faith infringer of an orphan work must in effect register in order to obtain protection against the full panoply of copyright remedies. In fact, the imbalance is less stark than might appear, as US copyright owners must register in order to enforce their copyrights, and all copyright owners must register in order to qualify for the full panoply of remedies. The purpose of the archive appears to be to assist reappearing rightholders to identify unauthorized users, and then to enter into negotiations with them. The bill provides that the archive may not be open to the public without restriction, as the Copyright Office is to specify the conditions under which the information will be furnished, §514(b)(3). These restrictions may be necessary to preserve the confidentiality of users’ business plans, and potentially to protect small or independent users against large users’ acquiring “inspiration” from perusing others’ projects to reissue or adapt particular works, and then marshalling their superior resources to become the first to market the work.

orphanage should the bill not exclude useful articles may therefore be higher than the loss to the public of those uses.

#### b. Federated States and State officials

Following the Supreme Court's decisions in *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*,<sup>66</sup> and *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank*,<sup>67</sup> holding the fifty federated States immune from suits for damages under the Lanham Trademarks Act and the Patent Act, respectively, it is generally assumed that the States may also invoke sovereign immunity under the 11<sup>th</sup> Amendment to defeat any claim for monetary relief under the Copyright Act.<sup>68</sup> States may waive sovereign immunity, however, and State officials remain subject to suits for injunctive relief under the doctrine of *Ex parte Young*.<sup>69</sup> When the State or its officials are the infringer, the bill conditions the limitation on injunctive relief against infringers who have commenced or prepared derivative works on the State's waiver of sovereign immunity by agreeing to be sued for damages, or by making an "enforceable promise to pay reasonable compensation."<sup>70</sup> Without this condition, the right holder would be remediless, because the bill would deny injunctive relief, but the state would escape the quid pro quo of monetary relief. With this condition, either the State pays, and may continue distributing the derivative work, or it refuses payment, and then is subject to injunctive relief against the continued distribution of the derivative work.

### III. Comparative and International Law Considerations

#### A. EU Initiatives

The proposed US response to the orphan works problem represents one of three general approaches.<sup>71</sup> In lieu of limiting liability, an orphan works regime could be based on a centrally-administered non exclusive compulsory license, or, in countries where collective licensing societies represent creators across copyright sectors, an "extended collective license" covering all creators of the relevant subject matter, even when these creators cannot be found or have not specifically given their accord.<sup>72</sup> Collective copyright management organizations (such as ASCAP and BMI) are not sufficiently pervasive in the US for the last of the three to be feasible, and neither the Copyright Office nor most of the interested parties in the US favored a compulsory license.<sup>73</sup> By contrast, in the European Union, a limitation of liability system is probably barred by the

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<sup>66</sup> 527 U.S. 666 (1999).

<sup>67</sup> 527 U.S. 627 (1999).

<sup>68</sup> See, e.g., *Chavez v. Arte Publico Press*, 204 F.3d 601 (5<sup>th</sup> Cir.2000).

<sup>69</sup> 209 U.S. 123 (1908).

<sup>70</sup> See proposed § 514(c)(2)(C).

<sup>71</sup> The approaches are detailed in Vetulani, *supra* note 6, at 8-14.

<sup>72</sup> On extended collective licenses, see generally Gunnar Karnell *Extended Collective License Clauses and Agreements in Nordic Copyright Law*, 10 *Colum.-VLA J. L. & the Arts* 73 (1985); Tarja Koskinnen-Olsson, *Collective Management in the Nordic Countries*, in Daniel Gervais, ed., *Collective Management of Copyright and Related Rights* 257 (2006).

<sup>73</sup> See *supra* note 20.

2001 EU Information Society Directive which strictly constrains the exceptions and limitations member States may impose.<sup>74</sup>

One of the approaches indicated by the i2010 Digital Libraries High Level Expert Group (HLG), Copyright Subgroup combines features of the extended collective license and the centrally administered license. The Copyright Subgroup's "Recommended Key Principles for Rights Clearance Centers and Databases for Orphan Works" recommend that Member States encourage rightholders to vest license-granting authority in national Rights Clearance Centers (RCC), which would grant orphan works licenses, in cooperation with national authors' collective management organizations regarding licensing policies, criteria and fees.<sup>75</sup> Unlike a true compulsory license, the RCC license "must provide for its replacement by a licence with the pertinent rightholder or his/her representative and include a take down procedure when the rightholder has been identified and/or located and normal rights clearance mechanisms may be used."<sup>76</sup> Nonetheless, the i2010 Digital Libraries High Level Expert Group (HLG), Copyright Subgroup's recommendations focus principally on improving and systematizing ownership information in order to diminish as much as possible the class of works accurately deemed "orphan," and accordingly facilitate rights clearance generally.<sup>77</sup> The US orphan works bills of course strive toward the same goal but without the same framework of copyright management organizations and without the Copyright Subgroup's extensive guidelines for the structure and content of rights management databases.

Were the US and EU to enact divergent orphan works regimes, problems of international compatibility may arise, for example because an orphan work made available in or from the US may also become accessible in the EU, and vice versa. Within the EU, the Copyright Subgroup repeatedly emphasized the need for "interoperability" across Member States, so that, for example, national Rights Clearance Centers would "interlink,"<sup>78</sup> and Member States would devise common "diligent search" criteria.<sup>79</sup> Acknowledging that the orphan works problem extends beyond the EU, the Copyright Subgroup also recommended that Member States recognize other States' diligent search criteria (the recommendation carries the unstated assumption that these will be sufficiently rigorous, even if not identical to the criteria evolved in the EU).<sup>80</sup> While the evolution of compatible diligent search criteria seems both possible and

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<sup>74</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, OJ L 167/10 of 22 June 2001, art. 5 (restricting exceptions and limitations); See Vetulani, *supra* note 6, at 14.

<sup>75</sup> See Rights Clearance Centre (RCC) Key Principles, 2. Licensing, Key Principles, *supra* note 27, at 6.

<sup>76</sup> *Id.*, 1. Policy. The Key Principles further specify, however, "Such replacement procedure must take due account of the needs of the library/archive/museum or other user, institutional or commercial, that has been allowed to digitise and/or make available under the RCC orphan works licence."

<sup>77</sup> *Id.*, at 4-5 ("Data Bases (DB) Key Principles"); see *supra* note 47,.

<sup>78</sup> See Rights Clearance Centre (RCC) Key Principles, 6. Interoperability, *supra* note 27, at 7; Copyright Subgroup Final Report at 10, 26.

<sup>79</sup> Copyright Subgroup Final Report at 14.

<sup>80</sup> *Id.*

desirable, comity issues may prove more complex with respect to the solutions adopted once a work is labeled “orphan.”

## B. Consistency of the US Proposals with International Norms

If the work that is the object of a US user’s diligent search is a work of European origin - or, for that matter, is a work from any other non-US WTO or Berne Convention member, then the work is entitled in the US to those instruments’ minimum protections. It therefore becomes necessary to determine whether the proposed U.S. liability limitations are consistent with those norms. The US proposals may run afoul of EU restrictions because the US proposals, by denying injunctive relief against creators of derivative works, would impose a class of compulsory licenses that neither the EU regulations, nor perhaps the Berne Convention,<sup>81</sup> authorize. There may also be Berne-compatibility problems regarding the inclusion of non-divulged works in the proposed orphan works regime. By contrast, the liability limitations respecting damages awards probably are consistent with EU norms because the reappearing copyright owner remains entitled to such actual damages as she can prove. Statutory damages are not part of the EU or Berne copyright landscape, so their preclusion by the US orphan works proposals should not be problematic.

The exclusion of the orphan work infringer’s profits may be more ambiguous. The Berne Convention leaves remedies to countries of protection,<sup>82</sup> although the Convention’s restrictions on the imposition of compulsory licenses<sup>83</sup> suggest that member States are expected to make injunctive relief available in most cases. By contrast, nothing in the Berne text addresses the scope of monetary relief, though, again, one might contend that the Convention assumes that member States will at least award damages adequate to compensate for the injury resulting from infringement of the copyright. Thus, if profits “are taken into account in computing the actual damages,”<sup>84</sup> for example in calculating the royalty owed to the copyright owner, they should be considered within the realm of actual damages, and therefore within the minimum remedies available to the copyright owner. As discussed earlier, it can be argued that the Orphan Works bills do not exclude awards of defendant’s profits when these are employed as a measure of actual damages. The US Copyright Act also provides for profits “attributable to the infringement” over and above the profits calculated within actual damages;<sup>85</sup> these, however, may be considered a kind of additional “disgorgement” remedy distinct from compensating the copyright owner for its losses. As such, they might exceed the minimum remedies implicit in the Berne Convention, and their exclusion from the remedies available to copyright owners of orphan works may not violate Berne norms.

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<sup>81</sup> See Reply Comments of Profs. Jane C. Ginsburg and Paul Goldstein, OWR0107.pdf at 10.

<sup>82</sup> See Berne Convention art. 5.2.

<sup>83</sup> See *id.* arts. 9.2, 11bis2, 13.

<sup>84</sup> See 17 U.S.C. § 504(b).

<sup>85</sup> *Id.*

Unlike the Berne Convention, the TRIPs accord sets out minimum standards for remedies for violations of intellectual property rights. Article 45 addresses damages.<sup>86</sup> Article 45.1 requires payment of “damages adequate to compensate for the injury the right holder has suffered because of an infringement” when the infringer knows or should know he or she is infringing. Article 45.2 addresses unknowing infringement, and permits member States to “authorize the judicial authorities to order recovery of profits and/or payment of pre-established damages.” This language leaves open the question whether the damages required by art. 45.1 implicitly include profits. Article 45’s failure to specify profits in the mandatory scope of recovery for willful infringement, while allowing (without requiring) them in the case of innocent infringement should probably be understood to mean that profits may be allowed as compensation for both willful and innocent infringement, but are required for neither. Arguably, because the structure of the article suggests that the mandatory monetary recovery for innocent infringement should be less than for knowing infringement, it could follow that, with respect to knowing infringement, profits are implicitly included within the mandatory scope. This reading is nonetheless improbable because art. 45.2 also includes “pre-established damages” within the permissible scope of remedies available against innocent infringers, but “pre-established damages,” such as the U.S. Copyright Act’s statutory damages,<sup>87</sup> are relatively uncommon, and therefore are unlikely to be the object of a mandatory international norm. If this analysis is correct, then the US bills’ limitations on monetary relief would pass international muster.

### C. Whose Orphan Works Regime(s) Applies?

Even assuming that the orphan works solutions ultimately adopted in the US and the EU all meet Berne and TRIPs norms, practical cross-border issues remain. When an orphan work is made available from one country to the public in another, which country’s (or countries’) orphan works regime applies? Does it suffice to meet the diligent search criteria and, if applicable, license fees of the country from which the communication originates, or must the person making the communication also conform to the prerequisites and fees (if any) of the countries in which members of the public access the work? Under a traditionally territorialist approach to copyright infringement, the law(s) of the country(ies) in which the damage occurs – the countries of receipt – would govern,

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<sup>86</sup> Article 45 of the TRIPs agreement sets out Member State minimum obligations respecting monetary compensation:

#### Damages

1. The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person’s intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity.

2. The judicial authorities shall also have the authority to order the infringer to pay the right holder expenses, which may include appropriate attorney's fees. In appropriate cases, Members may authorize the judicial authorities to order recovery of profits and/or payment of pre-established damages even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity.

<sup>87</sup> 17 USC § 504(c).

thus obliging the off-shore entrepreneur to clear rights for each country to which the work will be sent.<sup>88</sup>

An analysis of the currently fraught issue of which law governs the transnational “making available” of works of authorship,<sup>89</sup> is beyond the scope of this comment. For present purposes, let us first assume the traditional approach prevails; a license granted by a Rights Clearance Center established in an EU Member State would not itself cover exploitation in the US. But extant US collective licensing societies may be able to enter into reciprocal agreements with a national RCC (or the US societies’ current reciprocal agreements with other national collective management organizations may automatically carry over to the RCCs). On the other hand, diligently searching exploiters of works not represented by US collective management organizations (works which may constitute the bulk of works deemed “orphan”) would have to proceed piecemeal, paying the license fees (if any) for EU countries, and paying nothing for the US, pending reappearance of the US rightholder(s).<sup>90</sup> In the latter event, the exploiter would pay “fair compensation” for US uses; the amount of the payment being determined by litigation should negotiations with the rightholder fail. In the case of an exploitation originating in the US, but also made available in the EU, under the territorialist approach, the exploiter would not be able to rely solely on the US regime, and the various EU Rights Clearance Centers (or other authorities, if any, established to regulate orphan works in those States) would have authority to issue licenses for their respective territories.

By contrast, were the applicable law that of the country from which (rather than to which) the works are made available, the orphan works solution would be considerably simplified, but it would be necessary for all the countries concerned to adhere to the same choice of law rule. For example, even if US courts were to adopt a point-of-origin choice of law, that will not help a US exploiter who makes orphan works available from the US to EU member States if the choice of law rule in the EU States designates the laws of the countries of receipt.

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<sup>88</sup> WIPO Copyright Treaty, art. 8, which enunciates the making available right, may implicitly designate the country of receipt of the communication as the State in which the copyright-triggering act occurs, see Sam Ricketson and Jane C. Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond* ¶20.25, although it may also be argued that the WIPO treaty leaves it to member States to determine whether the applicable law is that of the country of emission or that (those) of the country(ies) of receipt, see Jane C. Ginsburg, *The (New?) Right of Making Available to the Public*, in Lionel Bently and David Vaver, eds., *Intellectual Property in the New Millennium, Essays in Honour of William R. Cornish* 234, 236-37 (2004). See also American Law Institute, *INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW, AND JUDGMENTS IN TRANSNATIONAL DISPUTES* § 301(1)(b) (“law of each State for which protection is sought”) and Comment d (law of countries of receipt of an internet transmission); Art. 8(1) of the EC Rome II Regulation (for intellectual property rights other than a “unitary Community intellectual property right,” “the law of the country for which protection is claimed” controls infringement).

<sup>89</sup> See, e.g., *SAIF v Google, TGI Paris*, decision of 20 May 2008, [http://www.legalis.net/jurisprudence-decision.php3?id\\_article=2342](http://www.legalis.net/jurisprudence-decision.php3?id_article=2342).

<sup>90</sup> By the same token, the compulsory licenses issued by the Canadian Copyright Board for the exploitation of works whose rightholders are “unlocatable” cover only Canadian exploitations. See Copyright Board of Canada, *Unlocatable Copyright Owners, Brochure*, <http://www.cb-cda.gc.ca/unlocatable/brochure-e.html> (“A licence from the Board is only valid in Canada. Outside Canada, you are bound by the laws of each country in which you use that work, even if the author is Canadian.”).

## Conclusion: Suggested Amendments to the US Proposals

Even if territorial compensation can be worked out, cross-border problems will nonetheless persist if the remedies available to foreign authors in a given territory do not meet Berne-TRIPs minima. As suggested above, the US proposals' injunction-proof derivative works may not be compatible with the Conventions' restrictions on compulsory licenses. Thus, it may be necessary for the US legislation to devise another solution, such as an extended grace period, perhaps with some monetary compensation to the derivative works creator (offset by the "fair compensation" the derivative works creator would owe to the reappearing rightholder(s)), if the creator or place of first publication of the work whose rightholder(s) reappear turn out to be a non-US Berne or TRIPs country.<sup>91</sup> Indeed, for the reasons advanced earlier, such a reconciliation of the interests of the orphan works rightholder(s) and the derivative works creator regardless of the orphan work's country of origin may well be preferable to the current US proposals.

Other amendments that I would urge focus more specifically on authors. The current bills either incorrectly conflate authors with copyright owners (e.g., with respect to attribution), or simply disregard those authors who are not legal or beneficial owners of copyright. In addition to including the actual work's creator as a recipient of attribution (whether or not she is a legal or beneficial copyright owner), the bills should add authors to the objects of a qualifying search. (Even without an amendment, however, the Copyright Office could include the identification of and search for authors in its collections of best practices.)

Arguably, the orphan works bill should not be the occasion to infiltrate a moral right of attribution into a copyright act which on the whole has failed to welcome that authorial interest.<sup>92</sup> The scope of the attribution right in the § 106A Visual Artists' Rights Act for works of visual art is extremely limited, and the § 1202 protections against removal or alteration of "copyright management information" have not opened much of a back door for author's attribution rights, either.<sup>93</sup> But there are orphan works regime-pertinent benefits to including authors within an attribution requirement for exploitation of orphaned works. First, as the old license/new media problem shows, the author may in fact be the relevant right holder; including the author within the mandatory scope of a "qualifying search" will allow the user to cover her bases in the event that the apparent right holder, e.g., the book publisher, does not hold the relevant rights. Second, authors may have contractual interests in works in which they have not retained copyright rights. For example, an author who has granted rights may have reserved a right of consultation

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<sup>91</sup> The US Copyright Act defines a "United States work," for purposes of imposition of the section 411 formality making registration a prerequisite to an infringement action, as one first or simultaneously published in the US, or, for unpublished works, all of whose authors are US nationals, domiciliaries or habitual residents, 17 U.S.C. § 101. See also, Berne Conv. art 5(4) (detailing a work's "country of origin").

<sup>92</sup> But cf. *Jacobsen v Katzer*, -- F.3d --, 2008 U.S. App. LEXIS 17161 (Fed. Cir. 2008) (holding that breach of the online open source "Artistic License," conditioning grant of non exclusive rights on attribution of authorship, infringed the software author's copyright even though attribution is not an exclusive right under copyright).

<sup>93</sup> See, e.g., *Textile Secrets International, Inc. v. Ya-Ya Brand Inc.* 524 F.Supp.2d 1184 (C.D.Cal.2007).

or approval of any licenses the grantee enters into.<sup>94</sup> Because the current text of the bills does not require a diligent effort to locate the author if the author is not the right holder, an orphan works user would encounter fewer constraints than would the original grantee or its licensees.

Finally, for the reasons discussed earlier, the bills should exclude “orphan works” which have never been disclosed to the public, and whose authors are still living. The bill may adopt the copyright act’s “presumption as to author’s death”<sup>95</sup> in this regard, thus subjecting undisclosed works of historical interest to the orphan works regime while preserving the living author’s interests in privacy and artistic integrity.

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<sup>94</sup> Thanks to Ann Chaitowitz, Executive Director, Future of Music Coalition, for this observation.

<sup>95</sup> 17 USC § 302(e).