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# Contracts, Orphan Works, and Copyright Norms: What Role for Berne and TRIPs?

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**“Working Within the Boundaries of Intellectual Property”**

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**Contracts, Orphan Works, and Copyright Norms:  
What Role for Berne and TRIPs?**

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

Abstract

*This Chapter addresses the extremes of private ordering, and the extent to which the principal multilateral copyright instruments, the Berne Convention<sup>1</sup> and the TRIPs Accord,<sup>2</sup> limit the range of State responses to the problems encountered at the far ends of the copyright-contract spectrum. At one end, we encounter private ordering at its most aggressive, in which private parties enter into agreements (or, more likely, the stronger party coerces the weaker parties, who may be mass market consumers) to protect subject matter or rights excluded from the ambit of copyright’s exclusivity. At the other end, the difficulties arise not from overweening sellers forcing their way with timid buyers, but from failure to find the seller at all. The buyers, would-be copyright exploiters, are unable to locate the right holders from whom to negotiate a license to use their works. In this case, no contract can be concluded, unless the State steps in for the absent right holder. In the first case, a contract has been concluded, but at a cost that the State could not exact were it to seek the same result through public ordering.*

*The analysis of Part I proceeds in three steps. First, a review of the relevant Berne-TRIPs provisions will identify and assess the “maxima.” Second, consideration will be given to whether the prescriptive force of the maxima extends to extra-copyright means of achieving copyright-prohibited objectives. Finally, an inquiry will be made into whether the mandatory exclusions and restrictions apply only to foreign Berne Union works or whether the treaties can also be read to compel their domestic application. Part II shifts from private ordering to State-imposed licenses and other interventions that limit the exercise of exclusive rights. Where Part I inquires whether current multilateral instruments limit private parties’ freedom effectively to expand the scope of copyright subject matter or rights, Part II examines whether those same instruments constrain State responses*

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<sup>1</sup> Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1986, as revised at Paris on July 24, 1971, and amended on Sept. 28, 1979, 25 U.S.T. 1341, 828 U.N.T.S. 221.

<sup>2</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments--Results of the Uruguay Round vol. 31, art. 13, 33 I.L.M. 81 (1994).

*to systemic failures of private ordering by limiting the remedies available against the unauthorized exercise of otherwise exclusive rights. The example of failed private ordering that will be considered concerns the problem of “orphan works,” where the inability to find right holders means that would-be exploiters cannot enter into private agreements with them.*

*This exploration of the extremes of the copyright-contract spectrum finds little prescriptive force in the Berne-TRIPs “maxima” with respect to private agreements to protect subject matter the treaties exclude from copyright’s ambit. By contrast, Berne-TRIPs “minima” can meaningfully constrain a State’s prerogative to impose compulsory licenses or limit remedies when private agreements cannot be concluded, for example because a willing buyer cannot find the seller (willing or otherwise). The minima should not, however, be regarded as an impediment to resolving the “orphan works” problem. Rather, attention to the minima should enable States to shape an orphan works regime which both permits the exploitation of unlocatable right holders’ works, and fairly compensates those right holders who, notwithstanding a rigorously diligent but unsuccessful search, subsequently turn up and object to the uses made of their works.*

## **Introduction**

This Chapter addresses the extremes of private ordering, and the extent to which the principal multilateral copyright instruments, the Berne Convention<sup>3</sup> and the TRIPs Accord,<sup>4</sup> limit the range of State responses to the problems encountered at the far ends of the copyright-contract spectrum. At one end, we encounter private ordering at its most aggressive, in which private parties enter into agreements (or, more likely, the stronger party coerces the weaker parties, who may be mass market consumers) to protect subject matter or rights excluded from the ambit of copyright’s exclusivity. At the other end, the difficulties arise not from overweening sellers forcing their way with timid buyers, but from failure to find the seller at all. The buyers, would-be copyright exploiters, are unable to locate the right holders from whom to negotiate a license to use their works. In this case, no contract can be concluded, unless the State steps in for the absent right holder. In the first case, a contract has been concluded, but at a cost that the State could not exact were it to seek the same result through public ordering.

With respect to public and private ordering, the 2001 European Union [EU] copyright directive<sup>5</sup> implements international obligations imposed by the 1996 WIPO (World Intellectual Property Organization) Copyright Treaties.<sup>6</sup> Member States must, on the one hand, incorporate new (or reinforced) protections for the right of making works available to the public, notably over digital networks, and for technological measures protecting copyrighted works.<sup>7</sup> On the other hand, Member States must also ensure that exceptions to

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<sup>3</sup> Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1986, as revised at Paris on July 24, 1971, and amended on Sept. 28, 1979, 25 U.S.T. 1341, 828 U.N.T.S. 221.

<sup>4</sup> Agreement on Trade-Related Aspects of International Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments--Results of the Uruguay Round vol. 31, art. 13, 33 I.L.M. 81 (1994).

<sup>5</sup> DIRECTIVE 2001/29/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJEC [Official Journal of the European Communities], L 167/10 (22.6.2001) [hereafter “Information Society Directive”].

<sup>6</sup> World Intellectual Property Organization Copyright Treaty, Dec. 20, 1996, 36 I.L.M. 65; World Intellectual Property Organization Performances and Phonograms Treaty, Dec. 20, 1996, 36 I.L.M. 76.

<sup>7</sup> WCT [WIPO Copyright Treaty] arts. 8, 11, 12 WPPT [WIPO Performers and Phonograms Treaty], arts 10, 14, 18, 19

copyright remain available in the digital environment.<sup>8</sup> Article 6.4 of the Directive is by now a notorious monument to the incoherence that can result from endeavouring to reconcile these objectives.<sup>9</sup> The Directive retrieves a kind of coherence in article 6.4, clause 4, however, by abandoning all pretence to balancing enhanced rights under copyright against exceptions. Clause 4 allows that all bets are off when the work is made available on demand over digital networks. At that point, the contractual terms of delivery of the work prevail.<sup>10</sup>

Shall we therefore infer that in the EU, at least for digital on-demand deliveries, no copyright norms restrain the prerogatives a copyright holder may allocate to itself by contract?<sup>11</sup> As for the United States [U.S.], while no provision of the copyright act incorporates an equivalent defection to private ordering, the question whether a copyright owner may “contract out of” limitations on copyright is hotly debated.<sup>12</sup>

I do not propose here to revisit the U.S. debate, nor to enter into the European law fray. Rather, Part I of this Chapter considers whether international copyright norms, imposed by or derived from the Berne Convention and the TRIPs Accord, effect supranational limitations on the extent to which member States may permit copyright owners to contract out of copyright limitations. The Berne-TRIPs minima of protection are well-known: member States must accord each others’ authors certain exclusive rights in original works of authorship.<sup>13</sup> What may be less familiar are the Berne/TRIPs *maxima*: mandatory exclusions from or limitations on the scope of protection. For example, TRIPs article 9(2) prohibits the protection of ideas, procedures and methods of operation, and Berne article 10(1) includes a mandatory quotation privilege. Is it possible to construe from the Berne-TRIPs maxima a precept barring not only a member State’s extension of copyright protection, but also the resort to contract law to escape limitations on copyright subject matter or scope?

The analysis of this Part proceeds in three steps. First, a review of the relevant Berne-TRIPs provisions will identify and assess the “maxima.” Second, consideration will be given to whether the prescriptive force of the maxima extends to extra-copyright means of achieving copyright-prohibited objectives. Finally, an inquiry will be made into whether the mandatory exclusions and restrictions apply only to foreign Berne Union works or whether the treaties can also be read to compel their domestic application.

Part II shifts from private ordering to State-imposed licenses and other interventions that limit the exercise of exclusive rights. Where Part I inquires whether current multilateral instruments limit private parties’ freedom effectively to expand the scope of copyright subject matter or rights, Part II examines whether those same instruments constrain State responses to

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<sup>8</sup> Agreed Statement to WCT art 10.

<sup>9</sup> See Alvisi Maria Case Ilati, *The Evolution of Article 6.4 of the European Information Society Copyright Directive*, 24 Colum. J.L. & Arts 369, 393-400 (2001); Paul Ganley, *Digital Copyright and the New Creative Dynamics*, 12 Int’l J.L. & Info. Tech. 282, 327-330 (2004).

<sup>10</sup> Information Society Directive, article 6.4.4 “The provisions of the first and second subparagraphs shall not apply to works or other subject-matter made available to the public on agreed contractual terms in such a way that members of the public may access them from a place and at a time individually chosen by them.”

<sup>11</sup> See generally, L. Guibault, G. Westkamp, T. Rieber-Mohn, P. B. Hugenholtz, et al., *STUDY ON THE IMPLEMENTATION AND EFFECT IN MEMBER STATES” LAWS OF DIRECTIVE 2001/29/EC ON THE HARMONISATION OF CERTAIN ASPECTS OF COPYRIGHT AND RELATED RIGHTS IN THE INFORMATION SOCIETY*, report to the European Commission, DG Internal Market, February 2007, chapter 5.

<sup>12</sup> See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996) (offering support for contractual alternatives to copyright law). But see Christina Bohannon, *Copyright Preemption of Contracts*, 67 Md. L. Rev. 616 (2008) (proposing a model for copyright preemption of contracts based on waiver doctrine); Viva Moffat, *Super-Copyright: Contracts, Preemption, and the Structure of Copyright Policymaking*, 41 U.C. Davis L. Rev. 45 (2007) (arguing that copyright law can preempt contract provisions).

<sup>13</sup> See, e.g., Berne Conv. arts. 5-20.

systemic failures of private ordering by limiting the remedies available against the unauthorized exercise of otherwise exclusive rights. The example of failed private ordering that will be considered concerns the problem of “orphan works,” where the inability to find right holders means that would-be exploiters cannot enter into private agreements with them.

## **I. Limitations or restrictions on protection under TRIPs and the Berne Convention: Is there a principle of “maximum protection”?**

In the same way that the Berne Convention enunciates a principle of minimum protection in favor of Union authors, so (it can be argued) is there a corresponding principle of maximum protection to be implied in those few cases where the Convention limits or excludes protection. It can be argued that an exclusion or limitation of protection is to be treated as an imperative provision of the Convention, having the purpose of protecting the interests of the public, rather than those of the author. In such a case, one could argue that national legislation cannot provide protection in a case where the Convention has specifically prohibited coverage of the excluded subject matter or rights.

The Berne Convention permits member States to choose to limit the scope of certain exclusive rights, and may provide a framework to which the national exclusion must conform, but there are only two clear imperative restrictions of significance under the present text. These are the exclusion of “news of the day” and “miscellaneous facts having the character of mere items of press information” under article 2(8); and the requirement under article 10(1) that the making of quotations shall be permitted (under the conditions posed in that article). TRIPs article 9(2), after binding its adherents to comply with the Berne Convention (presumably, including its limitations), admonishes that copyright protection shall not extend to “ideas, procedures, methods of operation or mathematical concepts as such.”

A desire to maintain the free international flow of basic elements of information appears to animate and unite these exceptions. These provisions reveal the international treaties’ solicitude for the broader public interest, notwithstanding the overall goal of protecting the rights of authors and copyright owners. The Berne Convention does not purport to prevent a member State from locally privatizing information its own authors generate; on the contrary, Berne article 5(3) reserves “protection in the country of origin” to governance by “domestic law.” But Berne can require that member States preserve the freedom of these excluded elements when the works that contain them traverse borders. Thus, national legislation purporting to grant protection in such cases to authors from *other* Berne Union countries would be contrary to the Convention (even though the Convention does not prevent member States from protecting *domestic* authors’ information).

### **A. Berne-TRIPs “Maxima”**

#### **1. Mandatory subject matter exclusions: Ideas and facts**

##### **a. Exclusion of ideas: Berne Convention article 2(1); TRIPs article 9(2)**

Article 2(1) of the Berne Convention sets out the subject matter, the protection which the treaty requires:

The expression “literary and artistic works” shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression . . .

Although the language is capacious, the term “expression” implies that the protection offered by the Convention to literary and artistic works does not extend to the ideas embodied in those works, but only to the mode or form in which those ideas are expressed.<sup>14</sup> This principle is made explicit in Article 9 of the TRIPs Accord, titled “Relation to the Berne Convention,” and whose second paragraph states:

(2) Copyright shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.

The TRIPs article 9(2) text represents a generalization from earlier drafts of what became the TRIPs article 10(1) specification of the inclusion of computer programs within the mandatory subject matter of copyright.<sup>15</sup> The drafters elevated the limitation on the protectability of computer programs to an all-encompassing interpretation of copyrightable subject matter within the meaning of the Berne Convention. Structurally, article 9(2) must be understood as clarifying, rather than reducing, the scope of copyright subject matter under Berne: TRIPs incorporates article 20 of the Berne Convention, which prohibits Berne member States from making agreements “contrary to” Berne minima.<sup>16</sup>

#### **b. Berne Convention article 2(8): news of the day and miscellaneous facts**

Article 2(8) of the Berne Convention contains an exclusion to the protection offered by the Convention:

The protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information.

The wording of article 2(8) makes it difficult to discern its purpose, and thus, the interpretation to be given to the terms “news of the day” and “miscellaneous information ...” Does article 2(8) embody a juridical conception of the nature of authors’ rights which excludes these items from protection on the basis that they are incapable of constituting literary or artistic works? If so, it could then be said that such an exclusion is strictly unnecessary as these items are not, in any event, covered by the Convention, because they fall within the category of facts and items of information which cannot be the subject of copyright protection. But if these elements already fall outside the scope of copyright, then two conflicting conclusions arise. Either article 2(8) adds nothing to the treaty obligations and is simply empty rhetoric, or the provision is not in fact redundant because the specification makes clear that, unlike other subject matter outside the scope of article 2, such as sound recordings, member States do not enjoy an option to protect this subject matter (at least not respecting works from other Union countries).

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<sup>14</sup> See, e.g., Sam Ricketson and Jane C. Ginsburg, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND* (2006) [hereafter Ricketson & Ginsburg], ¶ 8.07.

<sup>15</sup> See Daniel Gervais, *THE TRIPs AGREEMENT DRAFTING HISTORY AND ANALYSIS* (3d ed. 2008) [hereafter Gervais], 221-22. The relevant texts of the prior drafts of art. 10(1) are set out at in id. at 223-24.

<sup>16</sup> See Gervais at 221; Silke von Lewinski, *International Copyright Law and Policy* ¶ 10.58 (2008). Berne Article 20 states in relevant part: “The Governments of the countries of the Union reserve the right to enter into special agreements among themselves, in so far as such agreements grant to authors more extensive rights than those granted by the Convention, or contain other provisions not contrary to this Convention.”

Article 2(8)'s inclusion in the Convention could then be understood on two grounds. First, as the basic principle is not expressly stated elsewhere in the Convention, its inclusion in article 2(8) provides a useful confirmation that the principle of the non protection of facts is generally applicable under the Convention. Second, if a member country of the Union does, in fact, accord copyright protection to bare items of news and press information, the authors of such items have no right to claim equivalent protection under the Convention in other Union countries. Unlike the other paragraphs of article 2 which establish the bare minimum of what each country must protect as literary or artistic works, article 2(8) provides a ceiling.

On the other hand, article 2(8) excludes only protection under "this Convention," thus leaving open the question whether member States may accord protection to foreign authors under other headings -- for example, their laws of unfair competition, or even their copyright laws.<sup>17</sup> However, because the Berne Convention excludes this subject matter, its obligation of national treatment does not apply. As a result, a Union country which accords such protection to its own authors would be under no obligation to extend this coverage to authors from other Union countries. But if public policy underpins the basic principle that copyright protects only the form in which works are expressed, and thus implies an intent in the Convention to leave ideas, facts, and information in the public domain for all to use, then allowing member States to protect foreign authors under their own private international law rules regarding the treatment of foreigners (as opposed to the treaty obligation of national treatment) would seem in tension with the international public domain objective.

The drafting history of the current text of the Berne Convention supports the conclusion that the Convention excludes protection for facts, although it does not unambiguously preclude member States from protecting on some other basis information gathered by foreign authors. In the preparations which were undertaken for the Stockholm Conference by the Swedish Government and BIRPI (the United International Bureaux for the Protection of Intellectual Property)<sup>18</sup> the 1963 Study Group observed that while article 2(8) could be viewed as superfluous from a systematic perspective, it had formed part of the Convention for a long time and was "a good expression of a principle from which legislation and jurisprudence ... [could] take their lead, as well as a reminder of the freedom of information".<sup>19</sup> It was useful because it recognized the "practical importance of fixing ... the line of demarcation between copyright and other means of protection".<sup>20</sup> The Group recommended the retention of the article without any change, but with some discussion of its interpretation in the documents of the Conference.<sup>21</sup> In keeping with this proposal, the following interpretation of article 9(3) (which was to become article 2(8) in the Stockholm Act) was proposed in the program for the Stockholm Conference,<sup>22</sup> and was adopted in turn by Main Committee I in its report to the Conference:

... the Convention does not protect mere items of information on news of the day or miscellaneous facts, because such material does not possess the attributes needed to constitute a work. That implies *a fortiori* that news items or the facts themselves are not protected. The articles of journalists or other "journalistic" works reporting news items are, on the other hand, protected to

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<sup>17</sup> See *infra*, Part I.B.

<sup>18</sup> See Records of the Intellectual Property Conference of Stockholm (1967), Vol I, WIPO, 1971, 71 [hereafter, Records 1967], vol. I, 115.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* At 115-18.

the extent that they are literary or artistic works. It did not seem essential to clarify the text of the Convention on this point.<sup>23</sup>

## 2. Mandatory limitation on exclusive rights: the article 10(1) quotation right

Article 10(1) is the Berne exception that comes closest to embodying a “user right” to make quotations (“it shall be permissible to make quotations ...”), in contrast to the Convention’s other exceptions which are couched more in the language of privileges or allowable concessions to users to be determined by national legislation. Article 10(1) exceptions are matters that *must* rather than *may* appear in national laws.

Article 10(1) contains no limitation on the kinds of work that may be quoted. One may therefore conclude that the full range of “literary and artistic works” is subject to the quotation right. Similarly, the text does not confine the medium or means of making the quotation. There is nothing in the wording of article 10(1) to indicate that this exception is concerned only with reproduction rights: quotations may be made just as easily in the course of a lecture, performance, or broadcast or other transmission, as in a material form such as a book, article, musical, audiovisual or visual work of art.

The text sets out three conditions to be satisfied before a quotation must be permitted. First, the work in question must have been “lawfully made available to the public”. This is wider than the concept of a “published work” under article 3(3) where such acts as broadcasting and public performance are excluded from the scope of “publication,” and where it is required that the work be published “with the consent of the author.” The requirement of “lawful availability” under article 10(1) includes the making available of works by any means, not simply by publication of copies of the work. Thus, if a dramatic or musical work is performed in public or broadcast, article 10(1) would permit the making of quotations from it by a critic or reviewer who takes down passages verbatim for use in his review. It should also be noted that “lawful availability” under article 10(1) covers the situation where availability has occurred subject to a compulsory license; in this case, however, the license must conform to the conditions imposed by other provisions of the Convention, notably articles 11bis (retransmissions) and 13 (sound recordings).

Second, the making of the quotation must be “compatible with fair practice.” The Stockholm study program indicated that “the use in question can only be accepted after an objective appreciation.”<sup>24</sup> Length is certainly a matter which is relevant to the question of “fair practice,” as is the purpose of the quotation. “Fair practice” is a concept that is more familiar to Anglo-American lawyers than their continental European counterparts,<sup>25</sup> and whether a use is “fair” seems essentially a question for national tribunals to determine in each particular instance. However, the criteria referred to in article 9(2) – conferring general authority on member States to establish exceptions to the reproduction right -- would appear to be equally applicable here in determining whether a particular quotation is “fair”: does it conflict with a normal exploitation of the work and unreasonably prejudice the legitimate interests of the author?<sup>26</sup> There is no mention in article 10(1) of the possibility of uses taking place pursuant to a compulsory license, but, in principle, where a use by way of quotation is remunerated and “does not exceed that justified by the purpose,” this should more readily satisfy the requirement of compatibility with fair practice than would a free use.

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<sup>23</sup> Id, vol II, 1155.

<sup>24</sup> Records 1967, 117.

<sup>25</sup> W. Nordemann, K. Vinken, P. W. Hertin, and G. Meyer, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS LAW (1990) [hereafter, Nordemann et al (1990)] at 83.

<sup>26</sup> See also id. at 83–4.

The third condition is that the extent of the quotation must “not exceed that justified by the purpose.” Quotations for “scientific, critical, informatory or educational purposes” are within the scope of article 10(1).<sup>27</sup> Other examples are quotations that are made in historical and other scholarly writing by way of illustration or evidence for a particular view or argument, and quotations for judicial, political, and entertainment purposes.<sup>28</sup> Finally, quotation for “artistic effect” supplies another example.<sup>29</sup> This means not only the reproduction of “artistic works” or parts of such works for the purposes of illustrating a text or to provide the basis for discussion, as in the case of a book on artistic styles,<sup>30</sup> but also the quotation of works in general for “artistic effect” as in some modern works of fiction or poetry.<sup>31</sup>

Article 10(1) makes reference to a specific kind of quotation, namely “quotations from newspaper articles and periodicals in the form of press summaries,” which may seem mystifying to English-speakers. While a “summary” of a newspaper or periodical article may include a quotation from that article, the making of the summary is not the same thing as the making of a quotation, and need not in fact include any direct quotations. In the French text, however, the purpose and utility of singling out this type of quotation become clear. The French expression “*revue de presse*” does not readily translate into “press summaries” in English. A “*revue de presse*” is not really a summary of an article appearing in a newspaper; rather, it is a collection of quotations from a range of newspapers and periodicals, all concerning a single topic, with the purpose of illustrating how different publications report on, or express opinions about, the same issue.<sup>32</sup> Thus, the genre of “*revue de presse*” necessarily includes quotations, but there is no ready English language equivalent to this.

Although article 10(1) does not define “quotation,” this usually means the taking of some part of a greater whole—a group of words from a text or a speech, a musical passage or visual image taken from a piece of music or a work of art—where the taking is done by someone other than the originator of the work.<sup>33</sup> Because article 10(1) does not explicitly confine the extent of the taking, several delegations at the Stockholm Conference were gravely concerned about the question of length and therefore favored the retention of the qualifying adjective “short” before the word “quotations”.<sup>34</sup> In this sphere, however, quantitative restrictions are notoriously difficult to apply, and thus are left to be determined in each case, subject to the general criteria of purpose and fair practice.<sup>35</sup> In some instances, it may be both consistent with the purpose for which the quotation is made and compatible with fair practice to make lengthy quotations from a work in order to ensure that it is presented correctly, as in the case of a critical review or work of scholarship. In other circumstances, dictionary definition notwithstanding, quotation of the whole work may be justifiable, as in the example given by one commentary of a work on the history of twentieth-century art where

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<sup>27</sup> Records 1967, 116–17 (Document S/1), 860–1 (minutes).

<sup>28</sup> Id. 117.

<sup>29</sup> Id. 861 (comments by Swedish delegate, Mr Hesser).

<sup>30</sup> Id. See also Nordemann et al (1990), 83.

<sup>31</sup> Records 1967, 861 (Hesser).

<sup>32</sup> See, e.g., France, CPI article L-122-5(3)(b) (“*revue de presse*” exception); Court of Cassation, Criminal chamber, decision of 30 January 1978, RIDA Jan. 1980 p. 146, 1979 Rev. Trim. Dr. Com. 456 obs. Françon (a “*revue de presse*” necessarily supposes a comparative presentation of diverse commentaries originating from different journalists and concerning the same theme or event).

<sup>33</sup> See here the first meaning given in the definition in the CONCISE OXFORD DICTIONARY, 10th ed (2001), 1176.

<sup>34</sup> Records 1967, 860–1 (Switzerland, France, Hungary, Italy; cf the approach of the FRG and UK). In particular, note the Swiss proposal for the reintroduction of the adjective “short” and the substitution of the words “justified by the purpose” by the words “that they serve as explanation, reference or illustration in the context in which they occur”: Document S/68 at Records 1967, 690. See also Document S/45 (France) at id, 688.

<sup>35</sup> Records 1967, 1147 (report).

representative pictures of particular schools of art would be needed by way of illustration.<sup>36</sup> Another instance might be cartoons or short poems quoted within a wider work of commentary or review.

Finally, while the Berne Convention article 10(1) quotation right is a mandatory exception, it also includes a mandatory condition. Paragraph (3) of article 10 provides that:

(3) Where use is made of works in accordance with the opening paragraphs of this Article, mention shall be made of the source, and of the name of the author if it appears thereon.

While mandatory mention of the author's name may seem superfluous in the light of the article 6<sup>bis</sup> right of attribution, the drafters of the 1948 Brussels revision in which this provision was introduced determined to remove any doubt that the right of attribution was to be respected in the case of quotations and utilizations made under article 10(1).<sup>37</sup> In fact, it is not clear that the article 6<sup>bis</sup> moral rights otherwise applied to lawful quotations, and the records of the 1928 Rome revision conference, at which article 6<sup>bis</sup> was introduced, indicate considerable disinclination to recognize the integrity right in the context of article 10 lawful uses.<sup>38</sup> If lawful quotations otherwise fell outside the control of article 6<sup>bis</sup>, the 1948 Conference delegates nonetheless agreed that the author's name should be recognized. Article 6<sup>bis</sup> having been sidelined, they therefore established an independent basis for the attribution right.

It is significant that the article 10(3) mandatory condition enjoys an independent basis, and does not simply serve to remind member States that the beneficiaries of the quotation exception must also comply with article 6<sup>bis</sup>. If article 6<sup>bis</sup> furnished the basis for the condition, then the condition might not, as a practical matter, be truly mandatory because it would not be internationally enforceable through World Trade Organization [WTO] dispute proceedings. TRIPs requires member States to "comply" with articles 1 to 21 of the Berne Convention, but the enforceable "obligations" TRIPs creates explicitly exclude Berne Convention article 6<sup>bis</sup> and "the rights derived therefrom."<sup>39</sup> While the article 10(3) attribution right is of the same kind as those protected by 6<sup>bis</sup>, this is not enough to make the condition unenforceable under TRIPs. The text of article 9 of the TRIPs Agreement does not say "of the same kind"; it says "derived therefrom." In that respect, the final text seems more narrow than the two earlier drafts of article 9, which both included bracketed language limiting TRIPs-enforceable rights to the "economic rights" protected by the Berne Convention.<sup>40</sup> If "derived from" implies "dependent on," then the history of article 10(3) suggests that the distinct basis for its right of attribution justifies its preservation in the Berne Convention articles that the TRIPs Agreement makes enforceable.

## **B. Contracting into more-than-maximal protection?**

If the Berne/TRIPs maxima at least preclude member States from protecting the facts and ideas contained each others' works of authorship, and also require member States to allow

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<sup>36</sup> Nordemann et al (1990) at 83.

<sup>37</sup> Documents de la Conférence réunie à Bruxelles du 5 au 26 juin 1948 (1951), 245 (comments in the programme). See also preliminary proposals for the postponed Conference of 1935: [1933] Droit d'Auteur 99.

<sup>38</sup> Actes 1928, 252-3 (delegations of Switzerland, Japan, Belgium, Germany, Czechoslovakia, and Egypt argued that there was frequently a need to make alterations when making such borrowings).

<sup>39</sup> TRIPs, article 9(1).

<sup>40</sup> See 'Chairman's Report on the Group on Negotiation on Goods'; Brussels Draft, Document MTN, TNC/W/35/Rev.1 (3 Dec 1990). The relevant text of both drafts is reproduced in Gervais at 212-13.

quotations to be made from each others' works (under the conditions established in article 10), do these limitations on copyright law extend to prohibiting member States from using some law other than copyright to achieve the same results? In particular, may a member State substitute private ordering for public law, and enforce contracts protecting Union authors' ideas and information, or prohibiting the making of quotations from Union authors' works?

Comparison with another kind of parallel regime, the protection mandated by the WIPO Copyright Treaty for technological protection measures, might help illuminate the analysis. For example, is it possible to reconcile the article 10(1) mandatory right to make quotations from works that have been "lawfully made available," with the WCT article 11 obligation to protect against the circumvention of technological protection measures? Under article 1(4) of the WCT, contracting States are obliged to adopt the quotation exception (and all other Berne norms), whether or not they are Berne members. But anti-circumvention measures may compromise this exception, where the effect of such measures is either to deny users access to protected works for the purpose of making quotations or to prevent them from making the necessary reproduction or dissemination of the quotation. Is it therefore necessary for national laws to allow such an exception to any anti-circumvention measures that they adopt?

The answer to this question must turn upon the meaning and scope of the words "a work which has already been lawfully made available" in article 10(1). The formulation reflects the pre-digital era when works were made available only in hard-copy formats to users who could then access and use them without the copyright owner being able to impose any physical or technical limitations upon what the user could do. If anything, at that stage, the balance ran in favor of the user, although provisions such as article 10(1) did place legal limitations upon what he or she could do. In the digital environment, however, the balance is potentially shifted sharply in favor of the copyright owner if the latter first applies effective technological measures to deny all access except on conditions that the owner specifies. The words "lawfully made available" in article 10(1) pose a problem here: a work made available in a digitally protected format is just as much lawfully made available as a work in a traditional hard-copy format, even though the owner is able in the former case can impose a veto on what users and other third parties may do with the digital version.

These considerations lead to the conclusion that the obligation in article 11 of the WCT to provide for anti-circumvention protection is subject to the qualification that the latter should not abridge the exercise of rights of quotation under article 10(1) of Berne. If a work has already been made available in hard-copy analog form, it will be possible for such rights to be exercised, even if it cannot be done in relation to a digital version protected by an effective technological protection measure. On the other hand, if a work is available only in a digital protected format, with no provision for the making of quotations other than on the terms specified by the right holder, might the effect of this be to deny the exception under article 10(1) altogether? If this were so, it would have far-reaching consequences as more and more works become available only in digital protected formats. Further reflection, however, suggests that such terms of access might cause third party users inconvenience but not deny them the benefit of the exception under article 10(1) altogether, in that, even if it is not possible to make ready digital cuts from the work, it is still usually possible to make manual transcriptions from digital versions or to copy on film or with photographic images. While allowances for digital quotation might well be desirable (and desired by users), there would be no breach of article 10(1) so long as the making of quotations through these more "traditional means" remains pragmatically possible.

Thus, it would appear that “para-copyright” protection for technological measures<sup>41</sup> whose practical effect limits the exercise of the article 10(1) quotation right may subsist alongside a copyright regime that implements article 10(1), at least so long as the facts on the ground fall well short of genuine “digital lock up.” Applying this analysis to the question of contracting out of the quotation right (or by the same token, contracting into fact and idea protection), one might conclude that arms-length negotiated contracts pose no problem, but we may need to be wary of mass-market shrink-wrap or click-wrap contracts exceeding Berne-TRIPs maxima. The potential generalization of these kinds of contracts effaces practical distinctions between contractual obligations and copyright rights. Should the alternative universe these kinds of contracts establish come to supplant copyright, then the mandatory nature of the Berne-TRIPs maxima may require member States to decline to enforce these contracts, at least where foreign authors are concerned.

### C. Internal Effect of Berne-TRIPs Maxima

The demonstration so far has showed only that Berne-TRIPs member States may be obliged not to enforce contracts which would protect foreign Union authors from domestic exploitation of the facts or ideas contained in their works, or which would prohibit local users from exercising the Berne article 10(1) quotation right (conditioned by the article 10(3) attribution obligation) with respect to foreign works. It is not yet established that member States may not enforce contracts protecting their own authors’ ideas and facts, or denying local users’ quotation rights in local works. Berne article 5(3), which specifies that “protection in the country of origin is governed by domestic law,” makes establishing the latter claim a doubtful prospect.

Although neither treaty prescribes the level of protection a member State must afford authors whose works were first published in that State, most countries, wary of treating their own authors worse than foreign authors, end up incorporating the international norms into domestic legislation. But in this case, the confinement of Berne-TRIPs norms to foreign authors works to the apparent benefit of local authors. It suffices for international compliance for a member State to decline to protect a *foreign* author’s “ideas,” leaving the State free to protect the ideas of its own authors. Although it would constitute discrimination in favor of its own authors, it is not clear that the favoritism would violate the treaties. This could in turn mean that a member State would be obliged not to enforce a contract conferring excessive protection (that is, protection in excess of and inconsistent with the “maxima”) on a foreign author’s work (whatever the law otherwise applicable to the contract), but would encounter no such constraints with respect to enforcement of contract rights in a local author’s work.<sup>42</sup>

To give the Berne-TRIPs maxima domestic force requires creative interpretation of the principle of national treatment. If national treatment embodies a non-discrimination principle, then member States should not accord less protection to foreign authors than to locals. The usual remedy for the imbalance, as provided in Berne Conv. article 19, is to allow the foreign author to claim the greater local protection. Where the Convention bars the foreign author from receiving that protection, however, perhaps the remedy should lie in

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<sup>41</sup> For the phrase “para-copyright,” see, e.g., David Nimmer, A Riff on Fair Use in the Digital Millennium Copyright Act, 148 U. Pa. L. Rev. 673, 686 n. 66 (2000).

<sup>42</sup> In addition, article 5(3) may mean that a foreign author is entitled, for example, to quote from a local work, even though a local author would not be so entitled.

disallowing that coverage to locals as well.<sup>43</sup> While this suggestion may be consistent with the “spirit” of Berne, it may be too much a stretch of the text to make a persuasive case for mandatory incorporation of Berne-TRIPs maxima into domestic member State law. Thus, at least with respect to domestic works, Berne-TRIPs probably do not impair State’s prerogatives to enforce contracts entered into by their own authors that would require local co-contractants to refrain from exploiting facts or ideas or from exercising quotation privileges. In some States, such contracts may be unenforceable because they violate local public policy, but such determinations fall outside the Berne-TRIPs ambit. By contrast, international norms come back into play, and might invalidate such contracts, if the right holders were to seek enforcement of them against co-contractants from other jurisdictions.<sup>44</sup>

## II. Failure of Private Ordering: Orphan Works

### A. Nature of the problem

Normally, third-party exploitation of any of the exclusive rights under copyright requires the copyright owner’s authorization, unless a copyright limitation or exception (such as fair use) applies. Would-be exploiters who would not qualify for a limitation or exception but who also are unable to locate the copyright owner must decide whether to renounce their projects or to incur the risk that the copyright owner will reappear once the exploitation is underway and 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 -- that seek to digitize works for preservation and educational purposes<sup>45</sup> to individuals who seek to incorporate an “orphan” work in their webpage or blog. The U.S. Register of Copyrights has deemed the orphan works problem “pervasive.”<sup>46</sup>

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<sup>43</sup> But see, Ricketson & Ginsburg, ¶ 6.11.1 (member States may accord local authors a level of protection precluded by the Convention; article 19 would not permit foreign authors to claim that protection).

<sup>44</sup> Arguably, when the right holder seeks to enforce a contract against a foreign co-contractant, the “country where protection is sought” is the residence of the co-contractant. As a result, the right holder would no longer be seeking protection in the country of origin, and article 5.3 would not apply. Rather, the controversy would unfold in an international context governed by Berne norms, including Berne “maxima.”

<sup>45</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 digitization 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\\_august\\_06/en.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/recommendation/recommendation_august_06/en.pdf)

<sup>46</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.”

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 and commercially published print works -- than in others, particularly photographs.<sup>47</sup> Moreover, the number of unlocatable owners of currently unexploited works is likely to increase with the expanded length of the copyright term,<sup>48</sup> particularly if rightholders do not keep copyright management information up to date.<sup>49</sup> The number of potentially unlocatable rightholders may also increase if the scope of transfers of rights excludes, or is ambiguous regarding, different types of exploitations,<sup>50</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. If the publisher did not receive (or no longer owns) the relevant rights, it cannot grant them to the would-be exploiter.<sup>51</sup> If the

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<sup>47</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>48</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>49</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 U.S. 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>50</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 U.S.C. § 201(d)(2). See Jessica Litman, *Sharing and Stealing*, 26 *COMMENT* 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, article 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.

<sup>51</sup> Cf. *Randome House v. Rosetta Books*, 150 F.Supp.2d 613 (S.D.N.Y. 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).

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. And if the works are already in digital form, their identifying information can be removed and the works recirculated without apparent attribution.<sup>52</sup> An orphan works regime must not only aim to make truly orphaned works more widely available; it must also avoid the other extreme of thrusting “orphanage” upon works whose right holders can in fact be found. A reasonably diligent search for the copyright owner(s) is therefore a necessary prerequisite to any reduction of the exploiters’ risk.

## **B. Berne-TRIPs Constraints on Solutions to the Orphan Works Problem**

The solution adopted must be consistent with international obligations under the Berne Convention and the TRIPs Accord. For example, orphan works legislation should not on occasion back door imposition of formalities that condition the “enjoyment or exercise” of copyright.<sup>53</sup> One could imagine trying to solve the problem through a “two-tier” imposition of formalities (or with other requirements inconsistent with international norms) by limiting the scheme to domestic works.<sup>54</sup> In practice, however, this approach may not significantly lessen exploiters’ burden, because in many cases they would still have to spend resources to determine whether or not the work was of local origin.

### **1. Limitations on Works Included Within an Orphan Works Regime: Unpublished Works**

While unpublished works may be likely candidates for “orphan age,” they may also pose the greatest Berne-TRIPs difficulties if included within the class of works subject to State-ordered reduction of exclusive rights. 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.”<sup>55</sup> This “three-step test” 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 Convention article 10.1 supports this interpretation, because it limits the quotation right to “a work which has already

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<sup>52</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>53</sup> See Berne Convention, article 5.2.

<sup>54</sup> Id., article 5.3 (application of local law in country of origin). See, e.g., 17 U.S.C. § 411 (requiring copyright registration of U.S. works as a prerequisite to initiation of an infringement action).

<sup>55</sup> TRIPs article 13 generalizes the three-step test to all exclusive rights under copyright. However, TRIPs article 13 does not displace Berne article 11bis(2)'s more specific limitations on the right of communication to the public. Thus, for example, member States may not, outside the realm of “minor exceptions,” create unremunerated exemptions for certain primary and secondary transmissions of works.

been lawfully made available to the public.”<sup>56</sup> It is difficult to imagine how the nonconsensual general disclosure of a living author’s work would not “unreasonably prejudice” her legitimate interest.

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 a divulgement, even if it is not a “publication” under U.S. law.<sup>57</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” where the purpose of the use is to digitize and preserve undisclosed works that exist only in a limited access archive. An orphan works regime which covers all uses of all undisclosed works, however, risks incompatibility with international norms.<sup>58</sup>

## **2. Limitations on the Scope of an Orphan Works Regime’s Incursions into Exclusive Rights**

Although Berne-TRIPs constraints on the kinds of works subject to an orphan works regime may prove relatively minor, the international treaties are likely to play an important role in shaping the extent to which the State may reduce the risk of would-be co-contractants who, unable to find the copyright owners after a reasonably diligent search, nonetheless exploit the works. Risk reduction could take the form of compulsory licensing, either *de jure*, through State-administered rate-setting, or *de facto*, by limiting the remedies available to the reappearing copyright owner to damages for future as well as past exploitations. Moreover, the State might seek to reassure would-be exploiters by limiting the amount of damages that the reappearing copyright owner could claim. “Three-step test” analysis of different limitations on remedies suggests that compulsory licenses for future uses once the copyright owner has reappeared will be problematic, but that States could limit damage awards to the losses actually proved by the copyright owner. There is no shortage of academic writing on the three-step test,<sup>59</sup> but yardstick used in this article is the analysis applied by the WTO Panel in the proceeding challenging section 110(5) of the U.S. copyright act exempting retransmissions of musical works in certain retail and restaurant establishments from the scope of the public performance right.<sup>60</sup> The TRIPs Panel’s approach has been criticized as

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<sup>56</sup> See Ricketson & Ginsburg ¶¶ 10.37, 13.29, 13.63, 13.71 for further development of the proposition that the Berne Convention implicitly incorporates a moral right of disclosure or divulgement.

<sup>57</sup> See 17 U.S.C. § 101 (definition of “publication”).

<sup>58</sup> For example, 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). See generally Vigdis Bronder, Note, Saving the Right Orphans: The Special Case of Unpublished Orphan Works, 31 Colum. J.L. & Arts 409 (2008).

<sup>59</sup> See, e.g., Martin Senftleben, COPYRIGHT LIMITATIONS AND THE THREE-STEP TEST: AN ANALYSIS OF THE THREE-STEP TEST IN INTERNATIONAL AND EC COPYRIGHT LAW (2004); Annette Kur, Of Oceans, Islands, and Inland Water – How Much Room for Exceptions and Limitations Under the Three Step-Test?, Max Planck Papers on Intellectual Property, Competition & Tax Law Research No 08-04, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1317707](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1317707); Bernd Hugenholtz and Ruth Okediji, Conceiving an International Instrument on Limitations and Exceptions to Copyright, Final Report, 6 March 2008, [http://www.ivir.nl/publications/hugenholtz/limitations\\_exceptions\\_copyright.pdf](http://www.ivir.nl/publications/hugenholtz/limitations_exceptions_copyright.pdf); Sam Ricketson, WIPO Study on Limitations and Exceptions of Copyright and Related Rights in the Digital Environment, 2003 (WIPO Doc. SCCR/9/7); Jane C. Ginsburg, Toward Supranational Copyright Law? The WTO Panel Decision and the “Three Step Test” for Copyright Exceptions, 187 Rev. Int. Droit d’Auteur 3 (January 2001).

<sup>60</sup> WT/DS160/R June 15, 2000.

being too restrictive;<sup>61</sup> nonetheless for our purposes the contours it articulates for exceptions prove useful because an orphan works regime that meets the TRIPs Panel criteria will almost certainly be compatible with international norms. This is not to say that bolder inroads would fail to meet supranational standards, but rather that the cautious evaluation adopted here could, precisely because of its conservatism, outline a generally acceptable baseline.

#### **a. The three-step test: Certain special cases**

Both the terms “certain” and “special” require interpretation. The WTO Panel determined that “certain” meant “clearly defined,” “special” meant “narrow in scope and reach.”<sup>62</sup> The Panel held these requirements to be cumulative, and to apply to the range of works subject to the exception, to the range of beneficiaries of the exception, and to the breadth of the rights made subject to the exception or limitation.<sup>63</sup> Thus, while the scope of the 17 U.S.C. sec. 110(5)(B) exception was “clearly defined” with respect to the size of the business establishments benefiting from the exemption, it was not “narrow” because the class of beneficiaries was held to be too broad, comprising most eating and drinking establishments and almost half of all retail establishments.<sup>64</sup> By contrast, the section 110(5)(A) (“homestyle”) exemption passed muster under the first step because the number of business establishments affected, and the class of works at issue -- dramatic musical works -- was considerably smaller than those exempted by 110(5)(B).<sup>65</sup>

At first blush, an orphan works regime that reached all classes of works (excepting perhaps undivulged works of living authors) and permitted all types of uses would appear too broad to meet the first step. On the other hand, the universe of works would narrow with a definition reaching only works whose right holders cannot be found despite a diligent search. But there remain the questions whether the criteria necessary to a successful showing of due diligence are sufficiently well-defined, and whether they sufficiently restrict the class of relevant works. In other words, the lower the due diligence threshold, the greater the number of works susceptible to “orphan” designation; this in turn risks creating a class of works that is insufficiently narrow. By the same token, the wider the class of beneficiaries of the regime, the less likely the “case” of orphan works is to be deemed “special.” Similarly, the greater the range of exploitations the regime permits, the more likely the regime may exceed the narrow bounds of permissible “scope and reach.” This does not mean that no orphan works regime could pass the first step, but it does suggest that it will be very important to set a high standard of due diligence in order to ensure that the “cases” in question are genuinely “special.”

#### **b. Conflict with a “normal exploitation”**

Arguably, limiting remedies for the unauthorized use of “orphan” works poses no Berne-TRIPs problem because there is by definition no “normal exploitation” for a work whose owner cannot be found because it cannot be exploited. This contention is intuitively appealing, but requires closer analysis. As interpreted by the WTO panel, “normal exploitation” refers to uses that copyright owners in general would make of their work; it has

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<sup>61</sup> See, e.g., Kur, *supra* note 57; David Brennan, *The Three-Step Frenzy – Why the TRIPs Panel Decision might be considered Per Incuriam*, 2002 IPQ 213; Kamiel J. Koelman, *Fixing the Three-Step-Test*, 2006 E.I.P.R. 407.

<sup>62</sup> Ricketson & Ginsburg, ¶¶ 6.108, 6.109, 6.112.

<sup>63</sup> See *id.*, ¶ 6.110 (“the ‘case’ could be described in terms of beneficiaries of the exceptions, . . . types of works or by other factors.”).

<sup>64</sup> *Id.*, ¶ 6.133.

<sup>65</sup> *Id.*, ¶¶ 6.143, 6.146-148.

not been applied to the use an individual copyright owner makes. Thus, for example, the WTO Panel addressed “the ways that right holders normally extract economic value from that right to the work.”<sup>66</sup> The exploitations that an orphan works user would seek to make are likely to be of the kind that are normally licensed; indeed the user has sought out the right holder precisely because the use normally would require authorization.

But this interpretation leads to an impasse: because the uses normally would require authorization, their unauthorized exercise would necessarily conflict with a normal exploitation. If the WTO Panel and commentators have focused on copyright owners in general, rather than on the conduct of a more limited class of copyright owners, that may be because the question has not been heretofore posed in those terms. If inquiry trains instead on unlocatable copyright owners, an exploitation which would be “normal” as to copyright owners in general might cease to be “normal” -- in the WTO Panel sense of extracting economic value -- as to unlocatable owners because they have not been extracting economic value from the works. This, however, may prove to be too much. An analysis that designates an exploitation “non-normal” if the particular copyright owner is not extracting economic value from it could also deprive locatable authors who decline to authorize certain uses of control over such exploitations. Suppose, for example, that the author of a novel declined to authorize a motion picture version. Exercising film rights is a normal exploitation as to novelists in general, but this novelist does not wish to avail herself of that right. Does that mean that, as to this novelist, film rights are not a “normal exploitation,” and that it would therefore be permissible for a third party to make an unauthorized motion picture based on the novel? Such a conclusion would not be consonant with the Berne-TRIPs principle of exclusive rights.

Non-exploitation of rights by a particular rights holder thus may not suffice to remove the desired use from the realm of “normal exploitations.” By contrast, it may be more fruitful to consider the meaning of “conflict.” In the novelist example, a third party’s exploitation of film rights would “conflict” with the novelist’s exclusive right to make, or decline to make, derivative works. In the orphan works context, there may be no conflict with a normal exploitation because the right holder is neither exercising nor refusing to exercise the requested right. There is admittedly a conflict in the abstract, but in the case of an unlocatable right holder, it is not possible to know whether or not the owner would have granted or refused a license. This analysis, however, is premised on accurate identification of the right holder. Where, for example, the rights have reverted to the author (as is generally the case with out-of-print works), but the user bases his orphan works claim on his inability to find the publisher, the unlicensed use usurps the author’s right to decide whether or not to allow the use.

If the notion of “conflict” provides the key to passing the second step, it would follow that once a conflict arises, that is, once the right holder reappears and objects, an orphan works regime that deprived the owner of the ability to enforce her copyright against ongoing (as opposed to past) uses would be very problematic.<sup>67</sup> To deny injunctive relief once the copyright owner has reappeared is to create a compulsory license that neither the Berne Convention nor the TRIPs Accord generally authorize. Some ongoing uses might nonetheless be permissible: one might analogize to Berne Convention article 18.3, which permits member states to “determine the conditions of application” of the principle of restoration of copyright

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<sup>66</sup> Id., ¶ 6.183.

<sup>67</sup> By the same token, even if one adopts the approach that there is no “normal” exploitation of an “orphaned” work, once the owner appears and seeks to control exploitation, the diligently searching user’s exploitation thenceforth reverts to a “normal” one; continued exploitation thus raises difficulties.

in public domain works. This might suggest that some transitional measures to reconcile the reliance interests of the diligently searching user with the exclusive rights of the reappearing owner could be appropriate. For example, where the user, after diligent search, has gone on to make a derivative work based on the orphan work, that additional authorship may justify requiring the user and the owner to come to an agreement.<sup>68</sup>

### **c. Unreasonably prejudice**

If the exception does not “conflict with a normal exploitation,” then, under the third step, the exception may be permissible so long as it does not unreasonably harm right holder interests that are justifiable in light of general copyright objectives; the unreasonableness of the harm may in some cases be allayed if the state substitutes compensation for the control the copyright owner could have exercised absent the exception. The right holder interests are the usual ones, although one might contend that a right holder who has “effectively abandoned” the work has disclaimed any interest; and, having given up any interest in the work, she has none left to be “unreasonably prejudiced.” This may be too facile a characterization, however, for it assumes deliberate non-exploitation of the work. That may be true for some right holders, but not for others, particularly residual right holders (authors) who may be unaware that they retain the relevant rights or have reacquired them by reversion.

Another approach to interpreting the legitimacy of the right holder’s interests would take account of the nature of the use sought to be made. For example, the legitimacy of the unlocatable right holder’s de facto refusal to license may be less persuasive where the user wishes to undertake a non-profit educational or library use. This approach may be problematic, however: the purpose of an “orphan works” regime is to allow uses that would (or might) not otherwise qualify as exempted fair uses. If the use is more extensive than fair use would generally allow, then a refusal to license would be a legitimate way to enforce exclusive rights. On the other hand, as the U.S. Supreme Court has indicated, while “fair use” is non-infringing use, and therefore leaves the copyright owner remediless, injunctive relief may not always be the sole means of protecting the author’s legitimate interests, particularly when the user has made certain transformative uses of the work.<sup>69</sup>

The key inquiry in the case of orphan works may focus on the “unreasonably prejudice” component of the third step. The WTO Panel stated, “prejudice to the legitimate interests of right holders reaches an unreasonable level if an exception or limitation causes or has the potential to cause an unreasonable loss of income to the copyright owner.”<sup>70</sup> At the time the diligent user exploits the work after unsuccessfully searching for the right owner, an unauthorized use would not “cause an unreasonable loss of income to [a] copyright owner” who has not been deriving any income from the work. But future losses must also be considered. The Panel further stated:

6.247 We recall our conclusion that in the application of the three conditions of Article 13 to an exemption in national law, both actual and potential effects of that exception are relevant. As regards the third condition in particular, we note that if only actual losses were taken into account, it might be possible to justify the introduction of a new exception to an exclusive right irrespective of its scope in situations where the right in

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<sup>68</sup> Cf. 17 U.S.C. sec. 104A(d)(3) (assertion of restored copyright against reliance party who created a derivative work).

<sup>69</sup> See *Campbell v Acuff-Rose Music*, 510 U.S. 569, 578 n. 10 (1994).

<sup>70</sup> WTO Panel Decision, ¶. 6.229.

question was newly introduced, right holders did not previously have effective or affordable means of enforcing that right, or that right was not exercised because the right holders had not yet built the necessary collective management structure required for such exercise. While under such circumstances the introduction of a new exception might not cause immediate additional loss of income to the right holder, he or she could never build up expectations to earn income from the exercise of the right in question. We believe that such a narrow interpretation, if it became the norm, could undermine the scope and binding effect of the minimum standards of intellectual property rights protection embodied in the TRIPS Agreement.

In the context of "orphaned" works, this statement cautions us to ensure that, should the right holder reappear, she be able to exercise her rights not only against any exploitations by the diligent user (as well as by the world at large) subsequent to the right holder's reappearance, but also with respect to the diligent user's previously undertaken yet ongoing exploitations. To leave the right holder remediless against ongoing uses may significantly compromise the right holder's ability to authorize others to exploit the rights in question, particularly by means of "exclusive" licenses. Non-commercial ongoing uses may less severely prejudice the reappearing right holder's legitimate interests, but such categorical distinctions may not always be possible to make. A non-commercial use, particularly on the Internet, may supplant a licensed use as much as a commercial one would.

Compensation, whether in the form of a negotiated agreement (with potential judicial intervention), damage awards, escrow payments, or a more formally administered compulsory license, might diminish the prejudice to the reappearing owner. But, as a long-term remedy, compensation may not be appropriate, because the reappearing owner will, as a practical matter, thenceforth be unable to license exclusive rights. Some combination of compensation and cut-off dates may respond more effectively to the need to protect the reappearing copyright owner against unreasonable prejudice. A grace period during which the diligently searching user may continue to exploit the work may prevent the prejudice from becoming "unreasonable," so long as the right holder retrieves full rights, including against the user thereafter.

### **3. Limitations on Monetary Awards**

If Berne-TRIPS norms bar member States from denying injunctive relief – beyond a reasonable grace period – even with respect to a carefully and narrowly circumscribed class of works whose right holders remain unlocatable despite a sufficiently diligent search, might member States enjoy greater flexibility with respect to monetary relief? If the prospect of large damage awards to reappearing right holders deters exploitation of orphan works, perhaps member States might diminish exploiters' exposure by capping damages at some nominal sum<sup>71</sup> or otherwise limiting monetary awards. The following analysis will show, however, that Berne norms implicitly, and TRIPS standards explicitly, require that member States provide for recovery of damages corresponding to the actual harm the right holder has incurred. As a result, while member States may preclude monetary awards in excess of those losses, they may not impose a lower ceiling on damages.

#### **a. Damage awards under Berne**

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<sup>71</sup> See, e.g., Glushko Samuelson Intellectual Property Law Clinic Response to Notice of Inquiry on the Issue of "Orphan Works" <http://www.copyright.gov/orphan/comments/OW0595-Glushko-Samuelson.pdf> (urging a damages cap of \$500 "for any group of works claimed by a single owner and subject to a single use.")

The Berne Convention leaves remedies to member countries,<sup>72</sup> although the Convention's restrictions on the imposition of compulsory licenses<sup>73</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, although one might contend that the Convention assumes member States will at least award damages adequate to compensate for the injury resulting from infringement of the copyright. Typically, the plaintiff must prove losses attributable to the infringement. In the context of orphan works, what would these damages be? Because the reappearing right holder has not been exploiting the work, there are no lost sales to point to. But a court might calculate the licensing fee the right holder could reasonably have demanded, given the nature of the work and of the exploitation, had the exploiter been able to negotiate *ex ante* with the right holder. For example, the orphan works bills proposed in the U. S. Congress in 2008 would have limited the exploiter's exposure to monetary relief to "reasonable compensation," defined as "the amount" a willing buyer and seller would have agreed "with respect to the infringing use immediately before the infringement began."<sup>74</sup>

The defendant's profits may be another measure of damages; where profits "are taken into account in computing the actual damages,"<sup>75</sup> for example in calculating the percentage-of-profits royalty the defendant would have owed to the copyright owner had the use been licensed, profits should be considered within the realm of actual damages, and therefore within the minimum remedies available to the copyright owner. By contrast, where a member State's law provides for profits "attributable to the infringement" over and above the profits calculated within actual damages,<sup>76</sup> these 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.<sup>77</sup>

## **b. Damage awards under TRIPs**

Unlike the Berne Convention, the TRIPs accord sets out minimum standards for remedies for violations of intellectual property rights. Article 45 addresses damages.<sup>78</sup>

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<sup>72</sup> See Berne Convention art. 5.2.

<sup>73</sup> See *id.* arts. 9.2, 11bis2, 13.

<sup>74</sup> H.R. 5889, S. 2913, 110<sup>th</sup> Cong, 2d sess., introduced 24 April 2008, §514(c)(1)(A). Cf. *Davis v The Gap*, 246 F.3d 152 (2d Cir. 2001) (Leval, J.) (assessing damages by reference to "fair market value" of license customarily adopted for single uses of photographs in advertisements).

<sup>75</sup> See 17 U.S.C. § 504(b).

<sup>76</sup> *Id.*

<sup>77</sup> By the same token, to the extent that statutory damages exceed actual damages, see, e.g., 17 U.S.C. § 504(c) (copyright owner need not prove actual losses; court may award between \$750 and \$30,000 per work infringed, with an increase of up to \$150,000 per work if the infringement was willful) their exclusion from an orphan works regime would not violate implied Berne minima.

<sup>78</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

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. TRIPs thus makes explicit the implied Berne requirement that member States must at least ensure that defendants compensate copyright holders for the losses sustained from acts of infringement.

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 article 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 article 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>79</sup> are relatively uncommon, and therefore are unlikely to be the object of a mandatory international norm.

## Conclusion

This exploration of the extremes of the copyright-contract spectrum finds little prescriptive force in the Berne-TRIPs “maxima” with respect to private agreements to protect subject matter the treaties exclude from copyright’s ambit. By contrast, Berne-TRIPs “minima” can meaningfully constrain a State’s prerogative to impose compulsory licenses or limit remedies when private agreements cannot be concluded, for example because a willing buyer cannot find the seller (willing or otherwise). The minima should not, however, be regarded as an impediment to resolving the “orphan works” problem. Rather, attention to the minima should enable States to shape an orphan works regime which both permits the exploitation of unlocatable right holders’ works, and fairly compensates those right holders who, notwithstanding a rigorously diligent but unsuccessful search, subsequently turn up and object to the uses made of their works.

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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>79</sup> 17 U.S.C § 504(c).