

**By Electronic Submission**

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**RE: Reply Comments to Orphan Works and Mass Digitization Notice of Inquiry, 77  
Fed. Reg. 64,555 (Oct. 22, 2012)**

Dear Ms. Claggett:

This letter represents the Berkeley Digital Library Copyright Project's<sup>1</sup> reply to comments filed with the Copyright Office in the response to the October 22, 2012 Notice of Inquiry regarding orphan works and mass digitization.<sup>2</sup>

Our main contribution in this reply is on the "diligent search" concept. We wish to call your attention to two recent white papers we have prepared, appended to this reply, which set forth information about various approaches that orphan works proposals have taken regarding (a) who must conduct a diligent search,<sup>3</sup> and (b) how diligent searches have been defined.<sup>4</sup> We hope these resources will be of assistance to the Office's inquiry.

In addition, we make six points in this reply letter:

First, a comprehensive approach to orphan works access is preferable to a limited EU-like regime. Several commenters suggested that an orphan works regime should be limited in application to making works available through nonprofit libraries, archives, and other cultural institutions. While improving access to orphan works in the collections of those institutions is important, the orphan works problem extends far beyond those organizations. An approach that

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<sup>1</sup> Institutional affiliation is for identification purposes only.

<sup>2</sup> Orphan Works and Mass Digitization Notice of Inquiry, 77 Fed. Reg. 64,555 (Oct. 22, 2012).

<sup>3</sup> David R. Hansen, Gwen Hinze, and Jennifer Urban, *Orphan Works and the Search for Rightsholders: Who Participates in a 'Diligent Search' under Present and Proposed Regimes?* (White Paper No. 4, Berkeley Digital Library Copyright Project, 2013), <http://ssrn.com/abstract=2208163>.

<sup>4</sup> David R. Hansen, Gwen Hinze, and Jennifer Urban, *What Constitutes a Diligent Search Under Present and Proposed Orphan Work Regimes?* (White Paper No. 5, Berkeley Digital Library Copyright Project, 2013), <http://ssrn.com/abstract=2229021>.



does not permit, for example, applications involving the creation of derivative works or commercial exploitation, would fail to address a core part of the orphan works problem.

Second, we reemphasize that fair use is an important part of a comprehensive approach to orphan works access and, to some degree, mass digitization. We agree with the diverse set of commenters who adopted this position, and urge the Office to affirm the importance of fair use as an important part of the orphan works and mass digitization solution space.

Third, regarding the reasonably diligent search standard, we believe that a flexible factor-based standard for what constitutes diligent search is preferable to a one-size-fits-all approach. Internationally, countries with orphan works regimes have adopted a wide variety of approaches to defining search standards; some contain prescriptive, statutorily-defined sets of resources to which searchers must consult. Others have open-ended standards with no guidance at all regarding what diligent search means in practice. There are good reasons to believe that enshrining a rigid, one-size-fits-all search process in a statute or even regulations would inhibit rather than facilitate searches for rightsholders. However, we recognize that there is value in providing more guidance on the “reasonably diligent search” standard. To meet that need, we recommend that the Office endorse the factor-based approach that it took in its 2006 report, which focused on guiding principles, rather than specific sets of resources, to determine the reasonableness of a given search.

Fourth, we agree with the many commenters who expressed support for the limitation on remedies approach that the Copyright Office recommended in its 2006 report. Given this agreement, we recommend that if the Office recommends legislative reform, it should follow the remedy limitation approach outlined in the Office’s 2006 report.

Fifth, we believe that orphan works and mass digitization do raise somewhat different concerns and should be differentiated in the Office’s policy recommendations. Many commenters made similar points in their comment that differentiated approaches would be appropriate. We agree.

Sixth, registries are an important part of any orphan works regime; development of those tools should be guided by several principles that would preserve their accessibility, utility, and ability to adapt to future needs.

## **I. A Comprehensive Approach to Orphan Works is Preferable to a Limited Approach**

We agree with other commenters that libraries, archives and other cultural institutions should be able to fulfill their mission of preserving and providing access to their collections. But we disagree with proposals to narrow the scope of an orphan works regime to only these entities, or to excluding certain classes of works.<sup>5</sup>

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<sup>5</sup> See, for instance, comments submitted by American Association of Independent Music, American Society of Media Photographers, Graphic Artists Guild; National Press Photographers Association, and GS Stein.

Some commenters have suggested following the model adopted in the 2012 EU Orphan Works Directive. The Directive has been the subject of criticism within the EU precisely because of its scope limitations. For example, it excludes stand-alone photographs— one of the most complex and contested issues in the prior U.S. orphan works proceeding, and by far, the largest proportion of orphan works in the collections of the world’s cultural institutions.<sup>6</sup> The Directive has also been criticized for imposing a mandatory minimum per-work search requirement that is too onerous and expensive for its very limited scope of relief. It requires payment of fair compensation to reappearing rightsholders for any past use, even where a diligent search was conducted, and precludes ongoing use of works previously thought to be orphaned without consent of the reappearing rightsholder. Commentators have also noted the lack of legal certainty it provides—the full set of copyright remedies apply where a good faith search undertaken by a cultural institution is subsequently found not to be diligent on criteria that are yet to be determined.<sup>7</sup>

The EU Directive also fails to provide any relief to individuals and private cultural institutions that wish to use orphan works. As the UK’s recent copyright consultation concluded, finding appropriate means to facilitate use of orphan works by all users is vital for innovation and economic growth.<sup>8</sup> These considerations led the UK government to propose an orphan works regime that is more comprehensive in its scope than the EU Directive, covering both individuals and institutions, and permitting both commercial and non-commercial use of orphan works.

We believe that it would be premature to follow the approach of the EU Directive while it is yet to be implemented in the national laws of the 27 EU member states, and there is no experience to evaluate its effectiveness or usefulness as a model for other countries to follow. It remains to be seen whether it will deliver its intended goals—for instance, whether EU cultural institutions will rely on the EU Directive to digitize and make available orphaned EU works within their collections, or will instead find more protection and predictability by pursuing voluntary agreements.<sup>9</sup>

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<sup>6</sup> See GOWERS REVIEW OF INTELLECTUAL PROPERTY ¶4.93 (2006), available at <http://www.official-documents.gov.uk/document/other/0118404830/0118404830.pdf> (reporting figures provided by the Chair of the UK Museums Copyright Group that 70 major UK museums could not identify the rightsholders of about 90% of their combined collection of 19 million photographs).

<sup>7</sup> Information Sans Frontières, *Response to the Final Compromise Text of the Orphan Works Directive*, June 22, 2012, at: <http://informationsansfrontieres.eu/2012/06/22/a-response-from-information-sans-frontieres-to-the-final-compromise-text-of-the-orphan-works-directive-4/>; see also TransAtlantic Consumer Dialogue, *Orphans Left Out in Cold: Final Vote on Weak Directive*, IP POLICY BLOG, Sept 12, 2012, <http://tacd-ip.org/archives/742>.

<sup>8</sup> See UK Intellectual Property Office’s Final Impact Assessment, June 15, 2012, at 30: <http://www.ipo.gov.uk/consult-ia-bis1063-20120702.pdf> (estimating that the economic benefits to libraries and individual users for being able to make use of currently orphaned works would be between £2 m and £76 m p.a. with the best estimate being the average, £39 m p.a., and noting that additional commercial opportunities could arise from facilitating permission to use orphan works).

<sup>9</sup> See Lucie Guibault, *Are European Orphans About to be Freed?*, KLUWER COPYRIGHT BLOG, Sept. 21, 2012, <http://kluwercopyrightblog.com/2012/09/21/are-european-orphans-about-to-be-freed/>

Given these concerns, we make the following recommendation:

**Recommendation 1:** Any orphan works legislative or policy framework should be comprehensive in scope, and cover institutional and non-institutional, commercial and non-commercial, prospective users of orphan works.

## II. Fair Use is an Important Part of a Comprehensive Orphan Works Regime

We agree with the diverse set of stakeholders<sup>10</sup> who have stated that fair use plays an important role in facilitating use of orphan works in current U.S. practice, and is a crucial component of any future proposed legislative or policy orphan works solution. American libraries and cultural institutions are already relying upon fair use together with community-developed best practices to provide access to selected works within their collections, and to enable digitization projects they are undertaking to preserve their collections, to provide accessible format copies to print disabled users, and to facilitate the creation of new technologies and search tools to provide more effective use of works in their collections. Several court decisions (although presently on appeal) have recently affirmed that libraries have applied these principles accurately in determining classes of works for digitization projects and in setting access policies for particular works.<sup>11</sup>

Since 2006 several U.S. courts have also affirmed that non-expressive or non-consumptive uses of works that do not harm the market for the original work, such as creating and displaying thumbnail images, copying to create full text searchable indices, and other non-expressive uses of metadata, are fair use, and therefore do not require licensing.<sup>12</sup> Although now pending on appeal, the district court in *Authors Guild, Inc. v. HathiTrust* seemed to accept that mass digitization of orphan works and other works for the purpose of extracting metadata should also be considered fair use.<sup>13</sup> Given those decisions, we believe the Office should reject suggestions

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<sup>10</sup> See, e.g., comments filed by Library of Congress, Library Copyright Alliance, American Bar Association Section of Intellectual Property Law (noting that fair use may only offer a partial solution), American Intellectual Property Law Association, the Artists Rights Society, International Documentary Association et al., Bruce Lehman (noting comments filed by the Library Copyright Alliance that libraries are relying on fair use), and American Association of Publishers (supporting clear language explaining that legislation addressing case by case use of orphan works does not affect any right, or any limitation or defense to copyright infringement, including fair use).

<sup>11</sup> *Authors Guild, Inc. v. HathiTrust*, 11 CV 6351 HB, 2012 WL 4808939 (S.D.N.Y. Oct. 10, 2012); *Cambridge University Press v. Becker*, 863 F.Supp.2d 1190 (N.D. Ga. 2012)

<sup>12</sup> *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007), (clarifying that reproduction and display of images in the context of online indexing that promotes information access can be fair use); *A.V. ex rel. Vanderhye v. iParadigms, LLC*, 562 F.3d 630 (4th Cir. 2009) (concerning reuse of digital copies of student papers in plagiarism detection software, finding that fair use allows for information access and manipulation not just with search or indexing of harvested online content, but also for broader sets of works and for other non-expressive information access uses); *Authors Guild, Inc. v. HathiTrust*, 11 CV 6351 HB, 2012 WL 4808939 (S.D.N.Y. Oct. 10, 2012).

<sup>13</sup> *Authors Guild, Inc. v. HathiTrust*, 11 CV 6351 HB, 2012 WL 4808939, at \*14 (S.D.N.Y. Oct. 10, 2012) (citing with approval to the amicus curiae brief of Digital Humanities and Law Professors)

that licensing regimes be created to cover these types of uses.<sup>14</sup>

U.S. courts have also rejected the general idea that the availability of other limitations or exceptions limits the ability of users to rely on fair use. Fair use is a fundamental part of the U.S. copyright system, serving the constitutional purpose of copyright, and reconciling what might otherwise be an irresolvable tension between freedom of expression and protection of copyright holders' rights. As the *HathiTrust* court recognized, fair use and other limitations and exceptions operate side by side.<sup>15</sup> Similarly, users of a prospective orphan works regime should not have to elect to rely on either the orphan work use protections or other limitations and exceptions such as fair use.<sup>16</sup>

Finally, as we explained in our initial comments, we believe that there is a strong argument that the orphan works status of a work should itself tend to tilt a given use more toward being fair. This argument, more fully developed in Jennifer Urban's article, *How Fair Use Can Help Solve the Orphan Works Problem*,<sup>17</sup> focuses on two aspects that are unique to true orphan works: first, the nature of the work itself, as an under-exploited and currently unused work, should tend to tilt the second fair use factor analysis (nature of the work) in favor of a fair use finding, and second, because use of an orphan work has no impact on the potential market for the work under the fourth fair use factor, because no market can exist without an owner to sell or license the work.

We note that there is a separate question of what works should be considered orphaned for the purpose of asserting fair use. The library and archive community is already making this determination in practice, and a growing community of libraries, archives and memory institutions are also exploring how to document their use and search process in a best practices document.<sup>18</sup> Some of the undersigned researchers are helping to facilitate the latter process. As a group, we think these various approaches should be encouraged and allowed to develop over time.

Any new legislative or policy proposal should accommodate current practice, and leave room for future development of community-based best practices and fair use jurisprudence. Accordingly, we reiterate our previous recommendation on this point:

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<sup>14</sup> See comment of the Copyright Clearance Center.

<sup>15</sup> *Authors Guild, Inc. v. HathiTrust*, 11 CV 6351 HB, 2012 WL 4808939, at \*14 (S.D.N.Y. Oct. 10, 2012); See also Jonathan Band, *The Impact of Substantial Compliance with Copyright Exceptions on Fair Use*, 59 J. Copyright Society USA 453 (2012), <http://ssrn.com/abstract=1966593>.

<sup>16</sup> See comment of the Professional Photographers of America, at 8.

<sup>17</sup> Jennifer M. Urban, *How Fair Use Can Help Solve the Orphan Works Problem*, 27 BERKELEY TECH. L.J. (forthcoming 2013), <http://ssrn.com/abstract=2089526>.

<sup>18</sup> REPORT ON ORPHAN WORKS CHALLENGES FOR LIBRARIES, ARCHIVES AND OTHER MEMORY INSTITUTIONS (January, 2013), <http://centerforsocialmedia.org/report-orphan-works-challenges-libraries-archives-and-other-memory-institutions> (a report in which Jennifer Urban and David Hansen, signers of this letter, participated in drafting); see also Society of American Archivists' initial comments and *Orphan Works: Statement of Best Practices* (2009), <http://www.archivists.org/standards/OWBP-V4.pdf>.

**Recommendation 2:** The Office should affirm that fair use is an important part of the orphan works and mass digitization solution space and is being relied upon by libraries and archives. The Office should take care to explicitly preserve fair use as a part of the solution to the orphan works problem if it decides to recommend legislative reform. This could take the form of an explicit savings clause similar to that in 17 U.S.C. § 108(f)(4).

### **III. A Factor-Based Standard for What Constitutes Diligent Search is Preferable to a One-Size-Fits All, Rigid Approach**

A large and diverse set of commenters discussed identifying orphans as a key issue. Many identified a “diligent search” for rightsholders as an important component of any orphan works proposal;<sup>19</sup> some commented on specific features that that should entail, or on deficiencies with the definition of that term in previous legislative proposals.

Based on our research, we believe that the notion of a “reasonably diligent effort” to search for a work’s owner, as used in the Copyright Office’s 2006 report, in subsequent U.S. legislative proposals, and in similar form in several other countries’ orphan works regimes, is not yet well understood. Indeed, while the term “diligent search,” or a similar term, is used in a variety of different regimes, the expectations and minimum requirements differ significantly across different regimes and proposals.

In recognition of this ambiguity, our research team has produced a set of white papers that explore what is meant by “diligent search” in various orphan works regimes, and how the standards are operating in practice. As explained above, the first paper in that series focused on who must participate in the search process, and was submitted as an appendix to our initial comments.<sup>20</sup> The second paper surveys the nature and extent of diligent search requirements in

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<sup>19</sup> Including, for instance, comments submitted by a number of library organizations and the American Federation of Musicians of the United States and Canada, AFL-CIO, and The Recording Academy; the American Society of Journalists and Authors; the Digital Music Association; Graphic Artists Guild; the Independent Film and Television Alliance (IFTA); the Internet Archive; the International Documentary Association, Film Independent, Independent Filmmaker Project, Kartemquin Educational Films, Inc., National Alliance for Media Arts and Culture; Gilda Brasch; Kelly Duane de la Vega of Loteria Films, Katie Galloway, Roberto Hernandez, Karen Olson of Sacramento Video Industry Professionals, Marjan Safinia of Merge Media, and Geoffrey Smith of Eye Line Films (the International Documentary Association); the Magazine Publishers of America; the National Press Photographers Association; Picture Archive Council of America, Inc.; Professional Photographers of America; the Recording Industry Association of America and Science Fiction and Fantasy Writers of America, Inc.

<sup>20</sup> David R. Hansen, Gwen Hinze, and Jennifer Urban, *Orphan Works and the Search for Rightsholders: Who Participates in a 'Diligent Search' under Present and Proposed Regimes?* (White Paper No. 4, Berkeley Digital Library Copyright Project, 2013), <http://ssrn.com/abstract=2208163>.

various countries' orphan works regimes.<sup>21</sup> Both papers are attached to these reply comments as an appendix. Based on that research, we make three observations:

First, there seems to be a growing international trend towards differentiated approaches that facilitate different types of uses and users of orphan works.

Second, as the U.S. legislative experience demonstrates, there are risks in attempting to specify a detailed definition of a reasonably diligent search in national law. While such a definition might seem initially to offer greater legal certainty for prospective users, rights management identification processes and technologies are rapidly changing, and an overly prescriptive approach risks becoming outdated. An overly prescriptive approach could also have the unintended consequence of disqualifying a good faith user who has engaged in what appears to be a reasonably diligent search for the user's particular circumstances, but who may not exactly have followed enumerated steps set out in national legislation or administrative rules. This could be because certain steps are clearly unavailing or irrelevant to the particular work or the use, because arising search techniques or technologies have offered new steps not available when the enumerated list was created, or for other reasons.

Third, the level of enumerated detail required for any reasonably diligent search definition should be considered in light of the consequences of failing to meet the definition, as well as the likelihood of reasonable practices changing over time in response to new resources.

Other jurisdictions (such as the EU and the UK) have attempted to avoid these potential pitfalls by prescribing a general framework with a minimal threshold or set of requirements for what constitutes a diligent search, leaving additional details to be developed in national implementation legislation, by secondary legislation, or by administratively established guidelines. The Copyright Office could issue guidance materials to help users responsibly identify orphan works, and assist copyright owners to offer information about how to find the owners of different types of works. We caution, however, against administrative rules and rulemaking proceedings that could recreate the issues created by enumerated lists, and that would require substantial resources to revisit periodically.

Given the need to balance useful guidance with the flexibility to adapt search practices to new situations and new technology, we recommend that the Office adopt the approach it recommended in its 2006 report, which identified several factors that would determine the reasonableness of a search in any given circumstance, without specifying specific resources to which one must look. Those factors included: The amount of identifying information on the work itself; whether the work had been made available to the public; the age of the work; whether information about the work is available in public records; whether the author is still alive, and the nature and extent of the use.<sup>22</sup>

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<sup>21</sup> David R. Hansen, Gwen Hinze, and Jennifer Urban, *What Constitutes a Diligent Search Under Present and Proposed Orphan Work Regimes?* (White Paper No. 5, Berkeley Digital Library Copyright Project, 2013), <http://ssrn.com/abstract=2229021>.

<sup>22</sup> REGISTER OF COPYRIGHTS, REPORT ON ORPHAN WORKS 98-108 (2006), <http://www.copyright.gov/orphan/orphan-report.pdf>.

**Recommendation 3:** The Copyright Office should endorse the approach it took in its 2006 report, which focused on factors relevant to the search rather than specific guidelines. The Office should also continue to carefully study and solicit stakeholder input on the notion of a “reasonably diligent search” as a mechanism to determine to which set of works an orphan works regime should apply.

#### IV. Limitation on Remedies

We note the strong support in the initial comments for an orphan works approach based on limiting the remedies that could be applied against good faith users that have conducted a reasonably diligent search.<sup>23</sup> We agree with the commenters who have noted that fear of large statutory damages awards increases the inherent risk of using suspected orphan works in the United States.<sup>24</sup> As some of our team members have noted elsewhere,<sup>25</sup> the U.S. copyright regime’s statutory damages regime has deterred lawful and potentially productive uses of copyrighted works and thwarted the constitutional purposes of copyright.

Therefore, we reiterate Recommendation 4 from our initial submission that courts be given discretion to remit statutory damages for users of orphan works that the court determines have conducted a reasonably diligent search for rightsholders prior to use of the work. We also support the suggestion in several of the initial comments<sup>26</sup> to reduce the minimum award of statutory damages to \$200 per work for innocent infringers in these circumstances.

**Recommendation 4:** If the Office decides to recommend legislative reform, it should follow the limitation on remedy approach proposed in the Copyright Office’s previous report. Any legislative solution for orphan works should include an exemption from statutory damages awards against a user that has conducted a reasonably diligent search. It should also provide a workable solution for derivative works that use works considered to be orphaned on the basis of a prior diligent search.

#### III. Differentiated Approaches for Mass Digitization and Individual Uses May Be Appropriate

The initial comments exhibited widespread support for differentiated approaches tailored to different types of uses and works. We agree with the many commenters who stated that mass digitization and projects that involve use of multiple suspected orphan works raise different

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<sup>23</sup> See, e.g., initial comments filed by the American Intellectual Property Law Association, Motion Picture Association of America, Inc., Computer and Communications Industry Association, the Library Copyright Alliance, and the Electronic Frontier Foundation/ Public Knowledge.

<sup>24</sup> See initial comments of CCIA.

<sup>25</sup> Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WILLIAM & MARY L. REV. 439 (2009).

<sup>26</sup> See initial comments of CCIA and EFF/PK.



policy issues from work by work and small-scale uses of orphan works, and should be considered separately.<sup>27</sup> As we noted in our initial comments, and as documented in the comment submitted by several library organizations,<sup>28</sup> requiring work-by-work searches for mass digitization projects involves significant costs and may jeopardize digitization projects that greatly benefit the public interest.

We recognize that there are differing views about whether it is feasible and necessary for non-commercial public-spirited mass digitization projects to undertake a prior reasonably diligent search on a work-by-work or collection level basis. Whichever view the Copyright Office takes on that question, the Copyright Office should investigate the appropriateness of a differentiated approach to remedies that apply to different scale uses. Therefore, we reiterate the recommendation made in our initial comments:

**Recommendation 5:** The Copyright Office should consider adopting tailored solutions that facilitate different uses and different types of users of orphan works.

## VI. Voluntary Registries

We wish to register our concurrence with the many commenters who identified the development of voluntary registries, use of metadata, and technological tools, as important to alleviating challenges posed by orphan works.<sup>29</sup> One important development since 2006 is that industry groups, non-profit organizations, and others have put considerable effort into creating registries in various sectors with the explicit goal of making it easier to identify and communicate with rightsholders of particular works. Several commenters drew the Copyright Office's attention to promising new registries, including the Picture Licensing Universal System (PLUS) (for visual works), the Global Repertoire Database (for musical works), ARROW and ARROW-Plus (for various types of works).<sup>30</sup>

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<sup>27</sup> On the need for differentiated approaches to mass digitization and case by case use of orphan works, see, e.g., comments submitted by Microsoft, the Motion Picture Association of America, Inc., the Recording Industry Association of America, Inc., the Science Fiction and Fantasy Writers of America, Inc., and Software & Information Industry Association.

<sup>28</sup> See, e.g., comments of the Library of Congress, Council of University Librarians at the University of California, and Duke University Libraries.

<sup>29</sup> See, e.g., initial comments of ALL/ MLA/ SLA; ABA; ASCAP/BMI; EFF/ PK; Films Around The World; Microsoft; MPAA; MPA/ HFA; PACA; SIIA; Jill Zimmerman.

<sup>30</sup> On PLUS, see, e.g., comments of American Society of Media Photographers, Copyright Alliance; the Copyright Clearance Center, Inc. (CCC); Graphic Artists Guild; Motion Picture Association of America, Inc. (MPAA), Professional Photographers of America; and Picture Archive Council of America, Inc.; on Global Repertoire Database see, e.g., comments of American Society of Composers, Authors and Publishers and Broadcast Music, Inc.; CCC; MPAA; and National Music Publishers' Association and Harry Fox Agency.

The initial comments expressed a range of views on key questions related to voluntary registries:

- whether copyright owners should bear the responsibility of including works in registries, or whether prospective users of orphan works or a central agency should register suspected orphaned works in an orphan works registry, or whether prospective users should file notices indicating their intent to use a particular work suspected of being orphaned;
- the appropriate role for the Copyright Office to play regarding the creation and regulation of such registries; and
- the relationship between searching voluntary registries and what constitutes a “reasonably diligent search” for the purpose of qualifying for remedies limitations or statutory safe harbors from potential copyright infringement.

As we explain in our initial comments, we consider the development of voluntary registries to be a highly desirable part of a robust orphan works system. Our recommendations regarding registries are:

**Recommendation 6:** We encourage the Copyright Office to undertake further study of the role voluntary registries might perform in a comprehensive orphan works regime.

**Recommendation 7:** The Copyright Office should be guided by the following overarching principles in considering the appropriate role for, and features of, voluntary registries in an orphan works regime:

- **Content:** Registries should include information about the copyright status and current licensing arrangements that cover their works and, where available, digital watermarks and metadata associated with their works;
- **Searchable:** Registries should be fully searchable, including by metadata describing the creator and subjects of photographs and visual art works; the Copyright Office should encourage use of visual and audio matching systems as they become more accurate and feasible;
- **Publicly Accessible:** Registries should be publically accessible and searchable by all, for low or no cost;
- **Linked:** Registries should be federated with other rights management databases and metadata sources, with the goal of creating a single interface for searching along the lines of the proposed UK Copyright Hub.<sup>31</sup> This would enable a copyright owner to record information or register a work in only one place, reducing the potential burden on rightsholders while facilitating ease of searching and legal certainty for good faith searchers.
- **Extensible and Interoperable:** Registries should be extensible and interoperable, permitting rightsholders and users to provide updated information subject to an appropriate verification process, and enabling other entities to build new database interfaces and search applications that interoperate freely with the data in the registries.

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<sup>31</sup> Richard Hooper CBE & Dr Ros Lynch, *Copyright Works: Streamlining Copyright Licensing for the Digital Age* (July 2012), <http://www.ipso.gov.uk/dce-report-phase2.pdf>.

- **Comprehensively Sourced:** A federated system of registries should provide access to data held by public entities and by private sector parties. The Copyright Office should consider releasing the full set of digital records that it holds in open XML format to permit use and incorporation of that data into a federated system. The public sector data could be released under a license that would require any subsequent user of the data to provide open access to that data.
- **Public Access Policies:** We believe that orphan works issues will be most efficiently addressed through a combination of private sector databases and voluntary registries, together with thoughtful and consistent national information policies that apply to the public sector. For instance, this could take the form of mandating inclusion of appropriate metadata on authors and licensing agreements as part of a new public access policy for publicly funded research works.<sup>32</sup>

**Recommendation 8:** The Copyright Office should consider how to encourage the creation of voluntary registries by private sector entities and public cultural institutions with the requisite expertise in this area, and explore mechanisms to ensure the accuracy and trustworthiness of such voluntary private registries, including possible certification by the Copyright Office, and to ensure that registries do not become subject to the exclusive control or commercial exploitation by any private party or public institution.

We would be pleased to provide additional information on the above matters or to elaborate on aspects that would be of assistance to the Copyright Office's inquiry. We can be contacted at [dhansen@law.berkeley.edu](mailto:dhansen@law.berkeley.edu) or at (510) 643-8138.

Respectfully,



David Hansen, with and on behalf of Pamela Samuelson, Jennifer Urban, Jason Schultz, and Gwen Hinze

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<sup>32</sup> For instance, this could be incorporated in regulations made under a Directive issued by the Office of Science and Technology Policy in the Executive Office of the President on use of data and metadata, following the approach taken in the recent Directive on Open Access in *Memorandum on Increasing Access to the Results of Federally Funded Scientific Research* issued by John P Holdren, Director of the Office of Science and Technology Policy, February 22, 2013, at:

[http://www.whitehouse.gov/sites/default/files/microsites/ostp/ostp\\_public\\_access\\_memo\\_2013.pdf](http://www.whitehouse.gov/sites/default/files/microsites/ostp/ostp_public_access_memo_2013.pdf). See also Berkeley Digital Copyright Library Project's comments to the Office of Science and Technology Policy, December 29, 2011, at [http://www.law.berkeley.edu/files/OSTP\\_Comments.pdf](http://www.law.berkeley.edu/files/OSTP_Comments.pdf).

# Appendix

## What Constitutes a Diligent Search Under Present and Proposed Orphan Work Regimes?

David R. Hansen, Gwen Hinze and Jennifer Urban\*

### Introduction

Numerous legal regimes or proposals have been devised to address the problem of whether or under what circumstances in-copyright works can be made available if the works are “orphans”, because their rights holders are unknown or cannot be found. A common feature is a requirement that a prospective user make a diligent search for the rights holder. This White Paper complements an earlier one on orphan work searches which considered who would be expected to conduct a search.<sup>1</sup> The present White Paper focuses instead on different conceptions about what a diligent search might consist of. It does not offer a normative assessment of what “diligent search” should mean. Rather, it intends to provide information about various approaches to this concept to aid in reasoned conversations about this concept.

As we observed in the earlier paper, search requirements under the existing set of orphan works proposals differ across at least three factors: (1) who must participate in the search process; (2) the nature and extent of the search required; and (3) the types of resources, tools, registries or other information sharing mechanisms required or allowed in completing a search. This paper covers existing orphan works proposals’ approaches to the second and third factors. It explains, for example, required standards for searches, such as “reasonable diligence”; the resources that searchers may, or must, consult; and relevant search documentation and registration requirements. We also highlight the areas in which proposals have failed to define search requirements in a manner that is actionable for those who are responsible for conducting the search, and explores mechanisms for providing greater guidance and legal certainty.

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\* **About this Paper:** This white paper is the fifth in a series from the Berkeley Digital Library Copyright Project, an effort organized by Berkeley Law professors Pamela Samuelson, Jason Schultz, and Jennifer Urban. The project aims to investigate copyright obstacles facing libraries and other like-minded organizations in their efforts to realize the full potential of making works available digitally. More information can be found on the project’s website, available here: <http://www.law.berkeley.edu/librarycopyright.htm>.

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<sup>1</sup> David R. Hansen, Gwen Hinze and Jennifer Urban, *Orphan Works and the Search for Rights Holders: Who Participates in a “Diligent Search” for Rights Holders Under Current and Proposed Regimes* (White Paper No. 4, Berkeley Digital Library Copyright Project, 2013), <http://ssrn.com/abstract=2208163>.

## Diligent Search Under Present and Proposed Orphan Works Regimes

We have identified four categories of approaches to defining the nature of the search; these categories guide the discussion below:

(1) Under the first category, a user is expected to independently apply a given search standard, such as “reasonably diligent search,” but allows for the development of minimum requirements or voluntary or government-sanctioned guidelines;

(2) Under the second category, the user also applies a given search standard; however, the user’s search then requires approval or review by a central administrative authority before the work can be used. This category includes the approach taken in Canada and several other jurisdictions.

(3) The third category includes systems that require a search by a rights licensing entity, such as a collective management organization, following one of a variety of search standards. The entities covered under this category are often subject to a statutory regime or fiduciary duty to find rightsholders in order to distribute collected funds.

(4) The fourth category includes hybrid systems that combine different approaches to different types of uses or at different stages in the search. This includes regimes that incorporate different mechanisms for bulk uses, such as mass digitization, and individual uses of orphan works, such as the differentiated mechanism that is presently being proposed in the United Kingdom. This category also includes private efforts to develop search guidelines, such as community-developed best practices, in the absence of an overarching statutory or regulatory scheme.

### I. Independent User Search Standard, such as a “Reasonably Diligent Search”

#### a. *US Copyright Office Proposal*

In its 2006 *Report on Orphan Works*,<sup>2</sup> the U.S. Copyright Office recommended a remedy limitation approach whereby a user who had first performed a “good faith, reasonably diligent search to locate the owner,”<sup>3</sup> (but had located none) would fall within a statutory safe harbor, shielded from monetary damage awards and insulated in some ways from injunctive relief.<sup>4</sup> The

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<sup>2</sup> REGISTER OF COPYRIGHTS, REPORT ON ORPHAN WORKS 127 (2006) (legislative proposal text), <http://www.copyright.gov/orphan/orphan-report.pdf>.

<sup>3</sup> *Id.* at 127 (proposed statutory text). The proposal would also require that throughout the use, the user provide attribution to the author and copyright owner whenever possible and appropriate under the circumstances. *Id.*

<sup>4</sup> *Id.* A user would be insulated from full injunctive relief in cases where the user had recast, transformed or adapted the original work, but would be required to pay “reasonable compensation” to the rightsholder should she come forward and would have to provide attribution to author and copyright owner. *Id.* (proposed § 514(b)(2)(A)-(B)).

## Diligent Search Under Present and Proposed Orphan Works Regimes

Office envisioned that users would conduct independent searches based on this standard<sup>5</sup> before using the work in question.<sup>6</sup> Should an owner emerge and contest in court the adequacy of the search, the user would bear the burden of proving that the search actually was reasonably diligent.<sup>7</sup> Similarly, subsequent users would be responsible for establishing the adequacy of their own search.<sup>8</sup>

Based on fears that a rigid or overly specific standard would quickly become unworkable,<sup>9</sup> the Office did not define “good faith, reasonably diligent search to locate the owner.” However, the Office did offer some guidance as how to construe the terms. For example, the Office stated that the term “locate” should be construed to mean “identify an address to which a request for permission to use the work can be sent.”<sup>10</sup> The Office also explained that “good faith” was a minimum requirement of any search, intended to safeguard against superficial searches conducted as a pretext for exploiting the work.<sup>11</sup>

In terms of the “reasonably diligent” standard itself, the Office identified several factors that would influence whether that standard was met in a given situation. These factors were:

- ***The amount of identifying information on the copy of the work itself***, such as an author’s name, copyright notice, or title.<sup>12</sup> If the work had no identifying information on it at all, the requirements for search would be lower (except if there was evidence that such information had been stripped from the copy);
- ***Whether the work had been made available to the public***.<sup>13</sup> If the work had not been published or otherwise made available or the user could reasonably conclude that the author

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<sup>5</sup> *Id.* at 72.

<sup>6</sup> *Id.* at 127 (applying the recommended provision’s safe harbor only if the search was conducted “prior to the commencement of the infringement”).

<sup>7</sup> *Id.* at 96.

<sup>8</sup> *Id.* at 97. Because it might be reasonable under the circumstances for a second user to rely on a prior search by a prior user, the Office did not recommend any *per se* rule preventing or permitting “one user’s ‘piggybacking’ on another’s search.” *Id.*

<sup>9</sup> *Id.* at 98; *see also id.* at 109 (“One concern we had about developing such binding criteria is that invariably it would be incomplete and outdated quickly, as new technologies and sources of information are developed over time.”)

<sup>10</sup> *Id.* at 97. The Office excluded from this definition of “locate” those situations where permission has been sent to an address but the searcher receives no response from the owner. *Id.* The office did note, however, that “in very limited situations the failure of an individual who is believed to be an owner to respond to a permission request might be relevant to the ultimate question of whether the search has, in fact, located the owner.” *Id.* at 97 n.350.

<sup>11</sup> *Id.* at 98.

<sup>12</sup> *Id.* at 99-100.

<sup>13</sup> *Id.* at 100-02.

## Diligent Search Under Present and Proposed Orphan Works Regimes

was still alive, she would have to do more to satisfy the diligent search requirement than if the work was published or if the author was reasonably believed to be dead;

- ***The age of the work, or the dates on which it was created and made available to the public.***<sup>14</sup> The older the work, the more likely that information attached to the copy is out of date, and therefore less reasonable to require extensive searches based on that information;
- ***Whether information about the work can be found in publicly available records,*** such as the Copyright Office records or other resources.<sup>15</sup> If such information is readily available, the user would be expected to consult it;
- ***Whether the author is still alive, or the corporate owner still exists,*** and whether a record of any transfer of the copyright exists and is available to the user;<sup>16</sup>
- ***The nature and extent of the use,*** such as whether the use is commercial or noncommercial, and how prominently the work figures into the activity of the user;<sup>17</sup>

The Copyright Office Report discussed, but did not resolve how, exactly, those factors should be implemented in searches in practice.<sup>18</sup> The Office considered a system in which the Copyright Office would create, through the rulemaking process, regulations that define what “reasonably diligent search” means for specific sectors.<sup>19</sup> That idea was rejected by the Office, however, in part because many commenters pushed for an informal, voluntary process,<sup>20</sup> which, they argued, would result in a more collaborative discussion and more useful guidelines. In addition, the Office cited fears of technological lag, noting that if it did create such binding criteria “invariably it would be incomplete and outdated quickly.”<sup>21</sup>

### *b. Proposed US Orphan Works Legislation*

The U.S. Copyright Office recommendation spurred the development of three separate orphan works bills, all of which required the same basic “good faith, reasonably diligent” search for owners. With respect to search, the Orphan Works Act of 2006<sup>22</sup> made three modifications to the original 2006 Copyright Office Report framework. First, it required that prior to the use of the work,

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<sup>14</sup> *Id.* at 102-03.

<sup>15</sup> *Id.* at 103-06.

<sup>16</sup> *Id.* at 106-07.

<sup>17</sup> *Id.* at 107-08.

<sup>18</sup> *Id.* at 108.

<sup>19</sup> *Id.* at 109.

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

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

<sup>22</sup> H.R. 5439, 109th Cong. (2006).



## Diligent Search Under Present and Proposed Orphan Works Regimes

the searcher document the search in a way that would satisfy judicial scrutiny.<sup>23</sup> Second, the bill attempted to clarify the “reasonable diligence” requirement by defining it both positively and negatively: the bill provided that a search is “‘reasonably diligent’ only if it includes steps that are reasonable under the circumstances to locate that owner in order to obtain permission for the use of the work.”<sup>24</sup> Conversely, the bill provided that a search “is not ‘reasonably diligent’ solely by reference to the lack of identifying information . . . on the copy of the work or phonorecord.”<sup>25</sup> Third, the bill created a set of minimum search requirements, stating that searchers must ordinarily consult a set of resources to be maintained by the Copyright Office, such as its own copyright records, industry guidelines, best practices, and other relevant documents.<sup>26</sup>

In 2008, Congress considered two orphan works bills, the Orphan Works Act of 2008, in the House, and the Shawn-Bentley Orphan Works Act of 2008, in the Senate. Both bills built on the changes made in the 2006 bill, and added several more. First, both bills clarified the burden of proof—“preponderance of the evidence”—that a user must meet when defending his reliance on the remedy limitation.<sup>27</sup> The House bill added a requirement that users file a “Notice of Use” with the Copyright Office prior to use,<sup>28</sup> and both bills required that users mark copies with a symbol indicating that it was being used as an orphan work.<sup>29</sup> More directly related to the user’s search responsibility, both bills provided that a search would qualify as “reasonably diligent” if the user’s actions performing the search were “reasonable and appropriate under the facts relevant to the search, including whether the infringer took actions based on facts uncovered by the search itself.”<sup>30</sup> Additionally, the searcher must have conducted the search at a time “reasonably proximate” to the

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<sup>23</sup> *Id.*, Sec.2 (proposed § 514(a)(1)(A)(i)).

<sup>24</sup> *Id.*, Sec. 2 (proposed §514(a)(2)(B)(i)(I)).

<sup>25</sup> *Id.*, Sec. 2 (proposed § 514(a)(2)(B)(i)(II));

<sup>26</sup> *Id.*, Sec. 2 (proposed § 514(a)(2)(B)(ii)). The bill also provided that “A reasonably diligent search includes use of reasonably available expert assistance and reasonably available technology, which may include, if reasonable under the circumstances, resources for which a charge or subscription fee is imposed.” *Id.*, Sec. 2, (proposed § 514(a)(2)(B)(iii)).

<sup>27</sup> H.R. 5889, 110th Cong., Sec. 2 (2008) (proposed § 514(b)(1)(A)(i)); S. 2913, 110th Cong. Sec. 2 (2008) (proposed § 514(b)(1)(A)(i)).

<sup>28</sup> H.R. 5889, 110th Cong., Sec. 2 (2008) (proposed § 514(b)(1)(A)(ii)).

<sup>29</sup> *Id.* Sec. 2 (proposed § 514(b)(1)(A)(iv)); S. 2913, 110th Cong. Sec. 2 (2008) (proposed § 514(b)(1)(A)(iii)). This symbol could indicate both that the use was unpermitted, and alert a copyright owner who had not been found to could come forward, claim the work, and negotiate a license fee.

<sup>30</sup> H.R. 5889, 110th Cong., Sec. 2 (2008) (proposed § 514(b)(2)(A)(ii)(I));

## Diligent Search Under Present and Proposed Orphan Works Regimes

commencement of the use,<sup>31</sup> and under the Senate bill, would need to consult “reasonably available” sources of copyright authorship and ownership information, use “appropriate” technology tools, and “reasonable” expert assistance.<sup>32</sup> Moreover, searchers would have to follow certain best practices (or “Recommended Practices”) for searches, which the Copyright Office would be charged with maintaining.<sup>33</sup> Both bills seemed to contemplate that these guidelines would be created through a development process at the Copyright Office, and would incorporate best practices or other resources developed by private organizations.<sup>34</sup> Finally, both bills contained a special carve-out for visual works such as photographs, providing that the remedy limitation would not apply to those works until the Copyright Office first certified the existence and public availability of databases that can help identify owners of these works.<sup>35</sup>

Ultimately, while the Senate did pass its version of the 2008 bill,<sup>36</sup> Congress as a whole did not enact any of the orphan works bills it considered.

### *c. EU Orphan Works Directive*

On October 25, 2012, the European Union adopted a Directive on Orphan Works requiring that EU Member States create an exception in their national copyright law to accommodate some uses of orphan works.<sup>37</sup> Like the U.S. Copyright Office proposal and proposed legislation, the Directive provides that works and phonograms shall be considered to be orphan works if all the rightsholders in a work are not identified and located despite a “diligent search” having been carried

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<sup>31</sup> *Id.* Sec. 2 (proposed § 514(b)(2)(A)(ii)(III)); S. 2913, 110th Cong. Sec. 2 (2008) (proposed § 514(b)(2)(A)(i)).

<sup>32</sup> S. 2913, 110th Cong. Sec. 2 (2008) (proposed § 514(b)(2)(A)(ii)).

<sup>33</sup> H.R. 5889, 110th Cong., Sec. 2 (2008) (proposed § 514(b)(2)(A)(ii)(II)); S. 2913, 110th Cong. Sec. 2 (2008) (proposed § 514(b)(2)(A)(iii)). The Copyright Office would be required to “maintain and make available the public, including through the Internet, current statements of best practices for conducting and documenting a search.” <sup>33</sup> H.R. 5889, 110th Cong., Sec. 2 (2008) (proposed § 514(b)(2)(B)(i)); . In addition, the Copyright Office was charged with facilitating the creation of a database of pictorial, graphic and sculptural works. *Id.*, Sec. 3.

<sup>34</sup> S. 2913, 110th Cong. Sec. 2 (2008) (proposed § 514(b)(2)(B)(i)).

<sup>35</sup> H.R. 5889, 110th Cong., Sec. 4 (2008) (effective date); S. 2913, 110th Cong. Sec. 2 (2008) (amending table of sections, effective date).

<sup>36</sup> S. 2913, 110th Cong. (2008), <http://www.gpo.gov/fdsys/pkg/BILLS-110s2913es/pdf/BILLS-110s2913es.pdf> (engrossed in Senate).

<sup>37</sup> *Directive 2012/28/EC of the European Parliament and of the Council of 25 October 2012 on Certain Permitted Uses of Orphan Works*, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:299:0005:0012:EN:PDF>

## Diligent Search Under Present and Proposed Orphan Works Regimes

out.<sup>38</sup> As described further below, the Directive supplements a standards-based approach to what constitutes a “diligent search” with some prescriptive requirements. The Directive is also far narrower in its application and scope of relief than the U.S. proposals; while the Directive requires the EU Member States to create an exception in their national copyright law, the exception member states are to implement applies only to certain types of works,<sup>39</sup> certain types of uses<sup>40</sup>—excluding, for example, any follow-on derivative works—made by publicly accessible libraries, educational institutions, museums, archives, film and audio heritage institutions, and public broadcasting institutions. It is further limited to particular types of EU works in these institutional collections, and uses must be made in order to achieve aims related to the institutions’ public interest missions.<sup>41</sup> The

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<sup>38</sup> *Id.*, Articles 2(1) and 3. It is also worth mentioning that libraries and publishers in the EU have privately agreed on a set of principles that apply to voluntary collective licensing agreements for mass digitization of collections that include out of commerce books, journals and literary works. The category of “out of commerce” works is broader than “orphan works” because a rightsholder of an out of commerce work may be known and locatable, but the work may not be in print or actively circulating in the market. In September 2011, EU libraries and publishers and the collective management organization IFRRO, the International Federation of Reprographic Rights Organization, entered a Memorandum of Understanding (MoU). *See* Memorandum of Understanding (Sept. 20, 2011), [http://ec.europa.eu/internal\\_market/copyright/docs/copyright-infso/20110920-mou\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/copyright-infso/20110920-mou_en.pdf). In terms of search, the framework agreement is relatively open-ended, but does provide that “[t]he determination by the parties of whether a work is out of commerce or not shall be conducted according to *the customary practices in the country of first publication* of the work. Each Agreement shall stipulate the steps that have to be taken in order to verify whether a work is out of commerce.” *Id.* This approach is similar to other private agreements such as the Google Book Search Settlement, which provided that Google would take “commercially reasonable” steps to determine the commercial availability of works in the Google Books corpus (and therefore, identity and location of rightsholders). *See* The Authors Guild Inc. v. Google, Inc., Case No. 05 CV 8136-DC, Amended Settlement Agreement § 3.2 (Nov. 13, 2009).

<sup>39</sup> The Directive applies to published textual works including books, journals, newspapers and magazines, first published in a EU member state, and to cinematographic or audiovisual works and phonograms first broadcast in an EU member state that are held in relevant EU institutions’ collections, and to those types of works produced by EU public service broadcasting organizations prior to December 31, 2002, and held in their archives. *Id.*, Art. 1. The Directive also applies to works that have not been published or broadcast, where they have been made publicly accessible by the relevant EU institutions with the consent of the rightsholder. *Id.*, Art. 1(3) (provided that it is reasonable to assume that the rightholders would not oppose the uses permitted under Art. 6 of the Directive). The Directive does not apply to stand-alone photographs, but does apply to photographs embedded or incorporated into other covered works. *Id.*, Art. 1(4).

<sup>40</sup> The Directive permits the cultural organizations to which it applies to make two types of uses of identified orphaned works in their collections: reproduction including “for the purposes of digitization, making available, indexing, cataloguing, preservation or restoration”, and making available. *Id.*, Art. 6. In its final form, the Directive is not limited to non-remunerative use. The beneficiary organizations may generate revenue from permitted uses provided it is used exclusively to defray their costs of digitizing orphan works and making them available to the public. This can be done through private-public partnerships agreements.

<sup>41</sup> *Id.*, Article 1. The U.S. Copyright Office considered and rejected suggestions that it limit its approach to a similar group of organizations. REGISTER OF COPYRIGHTS, *supra* note 3, at 81–81, 107. The directive is not,

## Diligent Search Under Present and Proposed Orphan Works Regimes

27 EU member states must implement the Directive's framework into their national laws by October 29, 2014.<sup>42</sup>

The Directive does not contain a detailed definition of “diligent search,” but sets a minimum threshold for what constitutes a diligent search and identifies a minimum set of resources to which searchers must look. The Directive allows EU member states to specify additional sources to be consulted. The Directive requires that searches be carried out in *good faith* and must consult *appropriate sources* for the relevant category of works.<sup>43</sup> What sources will be considered appropriate is left to EU Member States to determine in consultation with rightsholders and users. However, at a minimum, the Directive requires EU cultural institutions to search *at least* the sources specified in the Annex to the Directive, which include a fairly extensive set of public and privately held databases (as set out in the Annex to this paper).<sup>44</sup> The search must consult sources that “supply information on the works” as determined in both the Directive and Member States’ national law.<sup>45</sup> The Directive also suggests, but in its final version does not require, that EU Member States refer to the more detailed sector-specific 2008 Diligent Search Guidelines developed by the EU High Level Expert Group on Digital Libraries established under the i2010 Digital Libraries initiative,<sup>46</sup> which identify sets of databases and resources to consult when searching for owners of published books, periodicals, phonograms, and audiovisual works.

The diligent search must be carried out in the EU country of first publication or first broadcast. In the case of cinematographic and audiovisual works, where the producer has headquarters or habitual residence in an EU country, the search must be carried out there. To protect first publication, searches for owners of works that are unpublished or have not been

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however, limited to non-remunerative use. The organizations covered by the Directive may generate revenues in the course of the permitted users provided that they are used exclusively for the purpose of covering their costs of digitizing orphan works and making them available to the public,<sup>41</sup> including through private-public partnerships agreements. *Id.*, Article 6(2), Recital 21.

<sup>42</sup> *Id.*, Art. 9.

<sup>43</sup> *Id.*, Art.3(1).

<sup>44</sup> *Id.*, Art. 3(2).

<sup>45</sup> *Id.*, Recital 14.

<sup>46</sup> European Digital Libraries Initiative, Joint Report on Sector-Specific Guidelines on Due Diligence Criteria for Orphan Works, 2,

[http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/hleg/orphan/guidelines.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/hleg/orphan/guidelines.pdf);

Memorandum of Understanding on Diligent Search Guidelines for Orphan Works (June 2008),

[http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/hleg/orphan/mou.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/hleg/orphan/mou.pdf).

## Diligent Search Under Present and Proposed Orphan Works Regimes

broadcast but have been made publicly available by an institution with the consent of the rightholder must be carried out in the country where the institution is located.<sup>47</sup> However, the Directive has an important additional requirement, requiring users to conduct broader searches of sources in other countries, where evidence suggests that relevant rightholder information may be found there.<sup>48</sup> The Directive provides no further information about the level or type of evidence that would trigger the broader search obligation.

The Directive also contains strong information-sharing provisions. The Directive requires EU Member States to ensure that cultural institutions document the search that they have undertaken and the results, which will be recorded in a centralized publicly accessible online database that will be established and managed by the European Commission's Office for Harmonization in the Internal Market.<sup>49</sup> Cultural institutions must maintain, and share via the centralized EU database, information about the institution's use of an identified orphan work, and any change of status of previously identified orphan works.<sup>50</sup> Cultural institutions must keep a copy of the search record on file, to "be able to substantiate that the search was diligent."<sup>51</sup> Cultural institutions must also indicate the name of any identified rightholders in any use of a partly orphaned work.<sup>52</sup>

## II. User Search Reviewed or Approved by Central Administrative Authority

Canada, South Korea, Japan,<sup>53</sup> India,<sup>54</sup> and Hungary have adopted regimes under which a central government agency may grant a license to use identified orphan works after a search for

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<sup>47</sup> *Id.*, Arts. 1(3) and 3(3).

<sup>48</sup> *Id.*, Article 3(4).

<sup>49</sup> *Id.*, Arts. 3(5) and 3(6).

<sup>50</sup> *Id.*, Recital 16.

<sup>51</sup> *Id.*, Recital 15.

<sup>52</sup> *Id.*, Article 6(3).

<sup>53</sup> See *Copyright Act 1970, Law No. 48 of 1970, 2009* (Japan) Arts. 67, 74; unofficial English translation at [http://www.cric.or.jp/cric\\_e/clj/clj.html](http://www.cric.or.jp/cric_e/clj/clj.html).

<sup>54</sup> *Copyright Act 1957 as amended by the Copyright Amendment Act of 2012* (India) at paras. 17–18, [http://copyright.gov.in/Documents/CRACT\\_AMNDMNT\\_2012.pdf](http://copyright.gov.in/Documents/CRACT_AMNDMNT_2012.pdf) (allowing for applications to Copyright Board for works where "the author is dead or unknown or cannot be traced, or the owner of the copyright in such work cannot be found," and directing that the Copyright Board to grant licenses for use after it has made an inquiry into the good faith and satisfied itself that the license needs to be granted after giving any owners an opportunity to be heard);

## Diligent Search Under Present and Proposed Orphan Works Regimes

rightsholders. Legislation pending in both the United Kingdom (discussed in more detail below) and the People's Republic of China would create similar schemes.<sup>55</sup> Each of these regimes requires the prospective user to undertake a prior search for rightsholders of the work and to pay a licensing fee, which is usually held in escrow for re-appearing rightsholders. These countries' approaches differ on the search standard users must abide by and on the level of oversight exercised by the relevant administrative or judicial body.

### A. Canada

Prospective users of works for which owners cannot be located may apply to the Copyright Board of Canada for a non-exclusive license to make uses of certain work.<sup>56</sup> The Copyright Board may grant a license when "the Board is satisfied that the applicant has made reasonable efforts to locate the owner of the copyright and that the owner cannot be located."<sup>57</sup>

The Canadian legislation gives considerable discretion to the administrative body, both on what constitutes "reasonable efforts" by a prospective user, and on the terms of the non-exclusive license it may grant, including remuneration.<sup>58</sup> The Canadian Copyright Act empowers the Board to issue regulations, but the Board has not done so to date.<sup>59</sup> However, it has given informal guidance

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<sup>55</sup> The existing UK *Copyright, Patent and Designs Act 1988* permits licensing for orphan performances, but would be broadened under draft legislation currently pending before the UK Parliament. See proposed sections 116A-116D of the Copyright, Designs and Patents Act of 1988, which would be inserted by section 69 of the draft Enterprise and Regulatory Reform Bill, HL Bill 083 2012-2013, as amended by House of Lords Grand Committee on February 4, 2013, at <http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0083/2013083.62-66.html#jnc13> and <http://services.parliament.uk/bills/2012-13/enterpriseandregulatoryreform.html>; Maria Strong, *External Perspectives on the New Draft Chinese Copyright Law: Informal Comments of the U.S. Copyright Office*, presentation at the Conference on New Developments in Chinese Copyright Law and Enforcement, Berkeley Centre for Law & Technology, October 4, 2012 at [http://www.law.berkeley.edu/files/bclt\\_Panel\\_2\\_Maria\\_Strong.ppt](http://www.law.berkeley.edu/files/bclt_Panel_2_Maria_Strong.ppt); Dr. Prof. Hong Xue, *A User-Unfriendly Draft: 3rd Revision of the Chinese Copyright Law* (April 2012), <http://infojustice.org/wp-content/uploads/2012/04/hongxue042012.pdf>.

<sup>56</sup> Copyright Act of Canada, RSC 1985, c. C-42, section 77, available at <http://www.canlii.org/en/ca/laws/stat/rsc-1985-c-c-42/latest/rsc-1985-c-c-42.html> (allowing for the licensed use of a published work, a fixation of a performer's performance, a published sound recording, or a fixation of a communication signal.)

<sup>57</sup> *Id.*

<sup>58</sup> Jeremy de Beer and Mario Bouchard, *Canada's Orphan Works Regime: Unlocatable Copyright Owners and the Copyright Board*, 10 OXFORD UNIV. COMMONWEALTH L.J. 215, 230-239 (2011).

<sup>59</sup> *Id.*, at 227. The May 2011 EU Orphan Works Impact Assessment also warned against adoption of static guidelines and the cost implications of stringent diligent search requirements, at 47-8, at: [http://ec.europa.eu/internal\\_market/copyright/docs/orphan-works/impact-assessment\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/orphan-works/impact-assessment_en.pdf)

## Diligent Search Under Present and Proposed Orphan Works Regimes

on what it considers minimum requirements for a reasonable efforts search. In practice, those familiar with the system explain that “[t]he [US Copyright Office *Orphan Works Report*] referenced numerous factors suggested by commentators, many of which the Board considers as a matter of course in the context of [orphan works license] applications.”<sup>60</sup> Canadian commentators also note that the Board generally expects an applicant to have consulted most of the repertoires of copyright licensing agencies, and collective societies, together with national libraries’ indices, copyright offices’ registration records, publishing houses and corporate records.<sup>61</sup> As with the 2008 proposed legislation in the United States, applicants must document their searches as a necessary requirement of satisfying the Board’s inquiry.<sup>62</sup> And, like the EU Directive, a searcher would be required to extend the search beyond Canadian national borders if it is probable that the owner of the copyright would be located in another country.<sup>63</sup>

### *B. The Republic of Korea*

The Korean Ministry of Culture, Sports, and Tourism can grant licenses for use of particular orphaned works on application by a user and payment of up-front licensing fees. For the Ministry to grant a license, an application must satisfy the Ministry that the user has been unable to identify a copyright owner, or that the copyright holder’s identity is known but his or her location is unknown, despite the user having expended “considerable efforts” in accordance with specified criteria.<sup>64</sup>

Korean law specifies two minimum criteria that must be satisfied for a “considerable efforts” search. First, a prospective user must have sent a request to a copyright trust service provider (a collective management organization), or to two persons authorized to exploit the relevant work, seeking the name and address of the author, and either received a reply that that the information is not known, or else must not have received a response within one month from the date of the request. Second, the prospective user must have published a notice of inquiry in general daily

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<sup>60</sup> De Beer, *supra* note 59, at 227.

<sup>61</sup> *Id.* at 226-28.

<sup>62</sup> *Id.* at 228. This practice is apparently scaled back from previous requirements. “Previously, applicants were required to file an affidavit setting out precisely all of the steps undertaken to locate the copyright owner, in addition to other supporting documents. The Board has now abandoned that practice.” *Id.*

<sup>63</sup> *Id.*

<sup>64</sup> Korean Copyright Act of 1957 (Law no. 432, as amended by Law no. 9625, April 22, 2009), Article 50, available at: [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=190144](http://www.wipo.int/wipolex/en/text.jsp?file_id=190144), read in conjunction with Article 18(2) of the Enforcement Decree of the Copyright Act (Presidential Decree No. 22003, Jan. 27, 2010) (Kor.), available at: [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=200937](http://www.wipo.int/wipolex/en/text.jsp?file_id=200937).

## Diligent Search Under Present and Proposed Orphan Works Regimes

newspapers of nationwide circulation or on the websites of the Ministry of Culture, Sports and Tourism and the Korean Copyright Commission announcing the proposed use of the work, and must not have received a response within 10 days of publication.<sup>65</sup>

### *C. Japan*

Japan has adopted a compulsory licensing regime for copyrighted works that have been offered or made available to the public for a considerable period of time, and for which rightsholders cannot be found or located after “due diligence.” A person who wishes to use a suspected orphan work must submit an application to the Commissioner of the Agency for Cultural Affairs, describing the proposed use of the work, including data explaining what searches were performed to try to locate the rightsholder, and other information set out in a Cabinet Order.<sup>66</sup> The prospective user must also pay a license fee that will be held on deposit for any re-appearing rightsholders. Copies of suspected orphaned works must bear an indication that the reproduction was licensed in accordance with the Japanese orphan works provisions, and must indicate the date when the license was issued by the Commissioner of the Agency for Cultural Affairs.<sup>67</sup>

### III. Search by Collective Management Organizations

Several countries have adopted collective licensing regimes specifically designed to facilitate access to orphan works, or are considering regimes that appear to be broad enough to cover orphan works within collections. In these regimes, the collective management organization (CMO) that administers the licensing scheme would undertake a search for rightsholders.<sup>68</sup>

#### *A. Extended Collective Licensing in Nordic Countries*

Extended Collective Licensing regimes are in operation in Hungary and the Czech Republic, and in Sweden, Norway, Denmark, Iceland, and Finland. The Nordic country ECL regimes cover primary broadcasting, cable retransmission and communication to the public of previously broadcast

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<sup>65</sup> *Id.*, Decree, Article 18.

<sup>66</sup> See *Copyright Act 1970, Law No. 48 of 1970, 2009* (Japan) Arts. 67, 74; unofficial English translation at [http://www.cric.or.jp/cric\\_e/clj/clj.html](http://www.cric.or.jp/cric_e/clj/clj.html).

<sup>67</sup> *Id.*, Art. 67(3).

<sup>68</sup> For a more detailed discussion of these systems and some of the challenges associated with CMO searches for rightsholders, see the first paper in this series, Hansen, Hinze & Urban, *supra* note 2, at 8–17.



## Diligent Search Under Present and Proposed Orphan Works Regimes

television programs, and certain forms of reproduction (including photocopying) for certain activities (including educational purposes in several countries) or by certain institutions. In addition, ECL regimes operate for other narrow uses of works, varying by country.<sup>69</sup> The Nordic ECL regimes are sectoral, covering narrow uses and/or classes of works set out in the relevant legislative provisions. By comparison, in 2008 Hungary adopted an ECL regime that expressly extends authority to Hungarian CMOs to license orphan works in broader collections that they administer.<sup>70</sup>

The Nordic regimes build on existing collective management agreements that cover particular classes of works, but extend their operation via legislation to permit the CMO to represent rightsholders who are not members. This extension of authority enables the CMO to offer a license for use of an entire class of works, which in turn allows licensees to make use of works without legal liability. Non-member rightsholders' interests are protected through legislative provisions requiring CMOs to provide equal treatment to members and non-members regarding remuneration, by provisions on mediation and arbitration, and by providing rightsholders with the ability to opt out and/or seek individual remuneration.<sup>71</sup>

Because Nordic ECL regimes empower the relevant CMOs to grant licenses for use of works within a given class, the CMOs do not need to conduct searches for the identity of non-member rightsholders before granting a license. However, by virtue of the statutory obligation to provide equal treatment to members and non-members regarding remuneration, CMOs must search for non-member rightsholders at a later time, to distribute license fee proceeds due to them.

Identifying how these regimes price licenses or uses that may include orphans, and what type of search they do in order to do so is beyond the scope of this paper. However, by way of example, Kopinor (the CMO that administers the Norwegian ECL regimes) has a Distribution Committee that determines how to make distributions. This Committee comprises of members of author and publisher organizations and others nominated by a Nominating Committee.<sup>72</sup> In the event of a

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<sup>69</sup> JOHAN AXHAMN AND LUCIE GUIBAULT, CROSS-BORDER EXTENDED COLLECTIVE LICENSING: A SOLUTION TO ONLINE DISSEMINATION OF EUROPE'S CULTURAL HERITAGE? 29-30 (2011), [www.ivir.nl/publications/guibaut/extended\\_collective\\_licensing.pdf](http://www.ivir.nl/publications/guibaut/extended_collective_licensing.pdf); see also Press Release on signing of Bookshelf Contract between the Norwegian National Library and KOPINOR, August 28, 2012, <http://www.kopinor.no/en/about-kopinor/news/online-access-to-all-norwegian-literature-from-the-20th-century> (under which 250,000 books from the 1690's, 1790's, 1890's and the 1990's will be made accessible to Internet users with Norwegian IP addresses).

<sup>70</sup> The Hungarian system is discussed *infra* notes 97 to 106 and accompanying text.

<sup>71</sup> AXHAMN & GUIBAULT, *supra*, note 69 at 27-28, 30.

<sup>72</sup> Kopinor By-Laws, Articles 7.2 and 7.3., <http://www.kopinor.no/en/about-kopinor/by-laws>.

## Diligent Search Under Present and Proposed Orphan Works Regimes

dispute about distribution, an affected party can refer the matter to arbitration.<sup>73</sup> In Sweden, the government has apparently engaged in a more formal review of the effectiveness of CMO distribution to outsiders.<sup>74</sup> In addition, the Nordic ECL CMOs will be subject to further transparency requirements if the proposed EU CMO Directive (discussed below) is adopted.

### *B. Proposed EU Directive on Collective Management Organizations*

In July 2012 the European Commission released a proposed “Directive on Collective Management of Copyright and Related Rights and Multi-Territorial Licensing of Rights in Musical Works for Online Uses”.<sup>75</sup> The draft CMO Directive contains two sets of provisions. The first deals with facilitating multi-territorial copyright licensing of musical works across EU member states.<sup>76</sup> The second deals with governance of all collective management organizations operating in the EU. This includes CMOs that manage rights in books, journals and other categories of copyrighted and related rights works beyond musical works.<sup>77</sup> It would impose new obligations on CMOs for timely distribution of funds received, and reporting, including publication of an annual transparency report, disclosing revenues received and paid out.<sup>78</sup> Although not framed in the language of orphan works, these provisions would require CMOs to take measures to identify those to whom they must pay out collected fees, and raise the question of the level of effort that CMOs must make in doing so.

It is sometimes assumed that an ECL regime for orphan works does not require any search to be undertaken.<sup>79</sup> The proposed CMO Directive highlights that this is not necessarily true. The

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<sup>73</sup> *Id.*, Article 9.

<sup>74</sup> AVTALAD UPPHOVSÄTT, SOU 2010:24 (2010), <http://www.government.se/content/1/c6/14/33/63/a1746577.pdf> (published in Swedish, apparently analyzing how effectively CMOs make payouts to outsiders).

<sup>75</sup> Proposal for a Directive of the European Parliament and of the Council on Collective Management of Copyright and Related Rights and Multi-Territorial Licensing of Rights in Musical Works for Online Uses in the Internal Market, COM (2012) 372 Final (July 11, 2012), [http://ec.europa.eu/internal\\_market/copyright/docs/management/com-2012-3722\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/management/com-2012-3722_en.pdf).

<sup>76</sup> *Id.*, Title III and Articles 36 and 40 of Title IV.

<sup>77</sup> *Id.*, Titles I, II and IV.

<sup>78</sup> *Id.*, Article 20.

<sup>79</sup> *See, e.g.*, submission of National Library of the Netherlands, as reported in European Commission Impact Assessment on Orphan Works 16 (March 2011), [http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/reports\\_orphan/anna\\_report.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/reports_orphan/anna_report.pdf) (“The National Library of the Netherlands has indicated clearly that a title by title search is not feasible for large scale digitisation projects which normally include thousands of right holders to possibly hundreds of thousands works. . . . The library states that although it has concluded collective agreements with right

## Diligent Search Under Present and Proposed Orphan Works Regimes

CMO would have to undertake a search for rightsholders, but the costs of doing so would be deferred until after the use has been made, and rights revenue has been collected. The deferred nature of the search raises a set of interesting questions about how CMOs should set appropriate prices for licenses for collections of works that may contain a significant proportion of orphans, such as those of many large cultural institutions.

The draft CMO Directive would require EU Member States to ensure that collecting societies carry out distribution of revenue collected within 12 months from the end of the financial year within which rights revenues are collected, unless “objective reasons related to . . . identification of rights, rightsholders or to the matching of information on works and other subject matter with rightsholders prevent the collecting society from respecting this deadline”.<sup>80</sup> Collecting societies can make determinations about how to use funds that have not been distributed after five years from the end of the financial year in which the monies were collected, provided that they have taken “all necessary measures to identify and locate the rightsholders” and that their members approve rules governing distribution of funds in the event of unidentified or unlocatable rightsholders.<sup>81</sup>

The draft CMO Directive provides some guidance on the standard for the search that CMOs are required to undertake for this purpose. However, unlike the 2012 EU Orphan Works Directive, the draft CMO Directive does not prescribe a set of sources that must be consulted. Instead, CMOs would be required to “undertake diligent and good faith reasonable measures to identify and locate the relevant rightholders.”<sup>82</sup> The existing national collective management arrangements for administration of musical rights within EU countries often rely on reciprocal arrangements between nationally-based CMOs that represent rightsholders from their respective countries. In the orphan works context, however, the unlocatable or unknown rightsholder would not be a member of a CMO and hence would not be findable by searching membership records of CMOs. To identify and locate non-members, the proposed Directive would rely on publication of notices to the public. Article 12 of the draft Directive provides that measures to identify and locate

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holders, the use of potential orphan works by the library remains infringing, because this collective solution lacks a legal basis. The Scandinavian extended collective licensing regime is seen as a promising solution to the problem. . . . The library advocates that the EU should introduce a Europe-wide, mandatory legal solution for both orphan works and mass-scale digitisation, which does not require a diligent search on a per-work basis.”).

<sup>80</sup> *Id.*, Article 12(1).

<sup>81</sup> *Id.*, Article 12(2).

<sup>82</sup> *Id.*

## Diligent Search Under Present and Proposed Orphan Works Regimes

rightsholders shall include “verifying membership records and making available to the members of the collective society as well as to the public a list of works and other subject matter for which one or more rightsholders have not been identified or located.”<sup>83</sup> Thus, as a preliminary matter, the draft Directive seems to place the burden on rightsholders to seek out notices that would likely be posted on the websites of the relevant national CMOs in each EU member state. By comparison, the EU Orphan Works Directive creates a centralized EU orphan works registry to facilitate streamlined searches. However, as discussed above, that Directive has a narrow scope of application and it is unclear the extent to which subsequent non-institutional users of orphan works could rely on searches first conducted by the EU cultural institutions to which it applies.

These provisions highlight a potential conflict of interest inherent in approaches that involve searches by licensing authorities. The CMO that is required to conduct the search for absent rightsholders may stand to gain funds that cannot be allocated to unlocatable rightsholders, potentially creating an incentive for a CMO to be less thorough in its search procedure.<sup>84</sup> However, the potential conflict of interest may be mitigated somewhat by the possibility of increased external scrutiny if new transparency obligations in the draft CMO Directive are adopted. In addition to its distribution obligations, the draft Directive would require all EU collecting societies to publish an annual transparency report on their website within six months of the end of the financial year, with detailed information about the annual rights revenue per category and use of works, costs of the CMO’s operations, payments made to rightsholders in the preceding financial year, and “the total amount collected but not yet attributed to rightsholders, with a breakdown per category of rights managed and type of use, and indicating the financial year in which these amounts were collected.”<sup>85</sup>

### IV. Hybrid Approaches

Other approaches to the orphan works problem also contemplate searches for rightsholders, but are hybrids in that they often require the searcher to conduct these searches at different times or in different ways depending on the desired use (e.g., mass digitization as opposed to single uses). In addition, several private hybrid efforts to develop search guidelines in the absence of a clear legislative or regulatory scheme incorporate a variety of search standards.

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<sup>83</sup> *Id.*, Article 12(3); Recital 15

<sup>84</sup> See, e.g., Thomas Riis, *Collecting Societies, Competition, and the Services Directive*, *Journal of Intellectual Property Law & Practice*, 2011, Vol. 6, No. 7, 482, 492 note 70 (OUP).

<sup>85</sup> Draft CMO Directive, *supra*, note 75, Article 20 and Annex I.

## Diligent Search Under Present and Proposed Orphan Works Regimes

### *A. Proposed UK Two-tiered Approach*

The UK Parliament is considering adopting a two-tiered orphan works regime, permitting commercial and non-commercial use of published and unpublished works. At the first tier, cultural institutions would be permitted to digitize their collections (and any orphaned works in them) through an Extended Collective Licensing regime. At the second tier, prospective users of individual or small numbers of orphan works can apply for a non-exclusive license from a central government, or government-sanctioned, agency. The first tier borrows from the ECL regimes of the Nordic countries; the second is similar to the regimes in Canada and Japan.<sup>86</sup> In support of both, the UK is also proposing to create a national orphan works registry. A similar two-tiered approach was adopted by Hungary in 2008 (see below).<sup>87</sup>

Diligent search is a core requirement of the UK regime. A search will be required before use of a suspected orphan work either for mass digitization or individual use. At the first tier, the diligent search would be performed by the cultural institution that wishes to digitize its collection or, potentially, by a collective management organization that has applied to operate an ECL regime for the particular class of works. At the second tier, diligent searches will be performed by the user that wants to make use of an individual orphan work.

The UK proposal contemplates that a new authorizing body will be created to oversee searches and issue licenses. The new body will be tasked with issuing sector-specific guidelines for what constitutes a diligent search, which are to be developed with input from the relevant industries. The new authorizing body will not generally validate searches done by institutions or their agents that wish to engage in mass digitization via extended collective licensing. Instead, it will take a “regulatory” approach, accrediting institutions that want to register orphan works, and periodically auditing the quality of the institutions’ searches and the search process on a random sampling basis.<sup>88</sup> The new body will have power to exclude organizations that do not continue to meet the

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<sup>86</sup> See proposed sections 116A-116D of the Copyright, Designs and Patents Act of 1988, which would be inserted by section 69 of the draft Enterprise and Regulatory Reform Bill, HL Bill 083 2012-2013, as amended by House of Lords Grand Committee on February 4, 2013, at <http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0083/2013083.62-66.html#jnc13> and <http://services.parliament.uk/bills/2012-13/enterpriseandregulatoryreform.html>.

<sup>87</sup> *Id*

<sup>88</sup> The UK government apparently rejected a requirement that the new body review and approve searches done by institution due to concerns raised about the Canadian experience, which was criticized in submissions as being bureaucratic, costly, and “likely to be little used”. See Final Impact Assessment at 4 (July

## Diligent Search Under Present and Proposed Orphan Works Regimes

required standards.<sup>89</sup>

At the second tier, for applications for use of single or small numbers of orphan works by individuals and institutions, the new authorizing agency *will* verify the diligent search.<sup>90</sup> The authorizing body will require details of searched databases and methods with each orphan work registration application.<sup>91</sup> Although details are yet to be determined, it seems likely that at a minimum, a prospective user will have to search the new UK Copyright Hub, an interface to a federated collection of existing rights management databases, being developed as part of the UK Digital Copyright Exchange.<sup>92</sup>

Many of the details of how the search requirements will work in practice are yet to be determined. Draft legislation pending before UK Parliament would empower the UK Secretary of State to issue statutory regulations that will set out procedures and the details of the proposed regime.<sup>93</sup> Issues yet to be resolved include the identity of the authorizing body that will confirm searches, whether it will be managed as a public agency or as a public-private sector partnership with collective management organizations, and whether the agency would be empowered to conduct diligent searches as a fee-based service.<sup>94</sup> Also yet to be resolved is the extent to which recent diligent searches can be relied upon by subsequent users.

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2012), <http://www.ipo.gov.uk/consult-ia-bis1063-20120702.pdf>.

<sup>89</sup> *Id.* at 3.

<sup>90</sup> *Id.* at 5.

<sup>91</sup> *Id.* at 7.

<sup>92</sup> See IAN HARGREAVES, DIGITAL OPPORTUNITY: A REVIEW OF INTELLECTUAL PROPERTY AND GROWTH ¶4.59 (2011), <http://www.ipo.gov.uk/ipreview-finalreport.pdf> (“Tying the orphan works solution into the Digital Copyright Exchange will also provide a straightforward means of determining whether a search for the rights holder is sufficiently “diligent” – and should provide rights holders with a further incentive to join the scheme. The Exchange also offers a built in mechanism for dispute resolution, and safeguards against works becoming orphaned as discussed above.”); RICHARD HOOPER & ROS LYNCH, COPYRIGHT WORKS: STREAMLINING COPYRIGHT LICENSING FOR THE DIGITAL AGE ¶90 (2012) <http://www.ipo.gov.uk/dce-report-phase2.pdf> (report commissioned by the UK Intellectual Property Office as part of the implementation of the Hargreaves Review recommendations).

<sup>93</sup> See proposed sections 116A-116D of the Copyright, Designs and Patents Act of 1988, which would be inserted by section 69 of the draft Enterprise and Regulatory Reform Bill, HL Bill 083 2012-2013, as amended by House of Lords Grand Committee on February 4, 2013, at <http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0083/2013083.62-66.html#jnc13> and <http://services.parliament.uk/bills/2012-13/enterpriseandregulatoryreform.html>.

<sup>94</sup> If the agency is constituted as a public agency, it seems likely that it would not offer a diligent search service. The UK IPO recognized that this could give rise to a conflict of interest “as there would be concern that the authorizing body [would] subsidise such searching activity with collected fees and distort private market providers for such services.”

## Diligent Search Under Present and Proposed Orphan Works Regimes

### B. Hungary

In 2008 Hungary adopted a two-tiered orphan works regime similar to that proposed in the United Kingdom. The Hungarian system created an Extended Collective Licensing regime for uses of works that are covered by existing collective management arrangements, and a non-exclusive and non-transferable license regime granted by the Hungarian Patent Office (HPO) for use of orphan works falling outside the scope of collective rights management, based on the Canadian system.<sup>95</sup> Individual licenses to use orphan works are for a maximum term of five years, do not permit derivative uses of works, and may authorize both commercial and non-commercial uses.<sup>96</sup>

Applicants for an individual license from the HPO must conduct a search for rightsholders based on sector-specific guidelines as a precondition for lawfully using an orphan work.<sup>97</sup> License applicants must attach proof of the search that they have undertaken and the fact that the search was unsuccessful, including details of “the appropriate measures in a manner that are deemed reasonable under the given circumstances and with regard to the concerned type of work and mode of use to quest the author.”<sup>98</sup>

The search measures may, depending on the circumstances, include:<sup>99</sup>

- (a) Searching the register of licenses granted to use orphan works maintained by the HPO;
- (b) Searching the databases of collective management organizations registered in Hungary for the requested mode of use;
- (c) Searching databases available on the Internet;
- (d) Searches of public databases suitable to find the residence of the authors;
- (e) Searches of databases of publicly accessible collections of works;

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<sup>95</sup> Mihaly Ficsor, *How to deal with orphan works in the digital world? An introduction to the new Hungarian legislation on orphan works*, Presentation to European Parliament, October 2009 at: <http://www.europarl.europa.eu/document/activities/cont/200911/20091117ATT64717/20091117ATT64717EN.pdf>.

<sup>96</sup> Aniko Gyenge, Hungarian Ministry of Justice and Law Enforcement, Head of Unit on Consumer Protection, Copyright and Industrial Property Unit *The Hungarian Model of Licensing Orphan Works*, Presentation at the European States Presidency Conference on Digitisation of Cultural Material, Digital Libraries and Copyright, March 14, 2010, Madrid at: [http://www.mcu.es/principal/docs/MC/PresidenciaUE2010/Aniko\\_Gyenge\\_presentation.pdf](http://www.mcu.es/principal/docs/MC/PresidenciaUE2010/Aniko_Gyenge_presentation.pdf).

<sup>97</sup> Decree 100/2009 (V.8.) Korm. of the Government on the Detailed Rules Related to the Licensing of Certain Use of Orphan Works, Article 2, [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=242073](http://www.wipo.int/wipolex/en/text.jsp?file_id=242073).

<sup>98</sup> *Id.*, Article 2(2).

<sup>99</sup> *Id.* Article 3.

## Diligent Search Under Present and Proposed Orphan Works Regimes

- (f) Making requests for information from organizations engaged in publishing works on a regular basis, from persons carrying out some other use of the work, as well as from public authorities performing official functions in relation to the work; and
- (g) Placing advertisements in national daily newspapers.

This list of measures is non-exhaustive and is not intended to constitute a minimum or maximum threshold. The HPO determines what is sufficient to constitute a diligent search on a case-by-case basis. Taking all the measures listed may not constitute a diligent search in particular circumstances; similarly, a search may be considered diligent even when all the steps have not been undertaken.<sup>100</sup> Finally, for works where the first publication of the work was not in Hungary the regime requires these search measures to be undertaken also in the country where the work was first published, unless it would create “disproportionate difficulties.”<sup>101</sup>

The Hungarian Patent Office is required to maintain a publicly accessible register of licenses that have been granted to use orphan works.<sup>102</sup> To date, 22 applications for licenses appear on this Register.<sup>103</sup> Some of these cover multiple orphan works. For example, the National Audiovisual Archive sought a license to use 370 orphaned works and the Library of the Hungarian Parliament sought a license to use about 1000 orphaned works.<sup>104</sup>

### *D. Society of American Archivists Orphan Works Best Practices*

In another private effort to develop search guidelines, in 2009, the Society of American Archivists (SAA) crafted their own *Orphan Works; Statement of Best Practices*.<sup>105</sup> Produced in the context of the most recent proposed U.S. legislation on orphan works (which would have required a “reasonably diligent search”),<sup>106</sup> the SAA document “describes what professional archivists consider

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<sup>100</sup> Gyenge, *supra* note 97, at 5.

<sup>101</sup> Decree 100/2009 (V.8.) Korm, *supra*, note 98, Art. 3(2).

<sup>102</sup> Decree 100/2009 (V.8.) Korm., *supra* note 98, Art. 8.

<sup>103</sup> Szellemi Tulajdon Nemzeti Hivatala - Árva művek nyilvántartása (licenses through Oct. 2, 2012), [http://sztnh.gov.hu/szerzojog/arva/ARVA-muvek-nyilvantartas\\_teljes.pdf](http://sztnh.gov.hu/szerzojog/arva/ARVA-muvek-nyilvantartas_teljes.pdf).

<sup>104</sup> Gyenge, *supra* note 97, at 8.

<sup>105</sup> SOCIETY OF AMERICAN ARCHIVISTS, ORPHAN WORKS; STATEMENT OF BEST PRACTICES (2009), <http://www.archivists.org/standards/OWBP-V4.pdf>.

<sup>106</sup> *Id.* at 1 (citing the Orphan Works Act of 2008 (H.R. 5889) and the Shawn Bentley Orphan Works Act of 2008 (S.2913)).



## Diligent Search Under Present and Proposed Orphan Works Regimes

to be best practices regarding reasonable efforts to identify and locate rights holders.”<sup>107</sup> The Statement focuses on unpublished works, though it acknowledges that the search techniques it describes may be useful in locating rightsholders of published materials as well.<sup>108</sup>

In terms of factors affecting the search, the Statement recognizes that different circumstances may require different levels of effort.<sup>109</sup> For instance, it explains that older works require less effort than newer works, and that works to be used widely would ordinarily require more effort than those to be used narrowly. While the statement does not explain precisely how and when those factors come into play, it does explain in more detail the range of steps that could be taken to answer three central questions: “Who created the work? Who owns the work now? And where is that owner located now?”<sup>110</sup> In locating rightsholders, the document describes what databases one might look to, what search strings to try, what other types of non-electronic resources to examine, professional membership organizations to inquire with, and other options like hiring a genealogical researcher or other experts. While subsequent users seem to agree that engaging in all the steps identified in the Statement would not be reasonable in all, or even most, cases,<sup>111</sup> the document offers a series of practical steps one might undertake when searching for rightsholders.

### *D. Orphan Works Best Practices for Libraries, Archives, and Other Memory Institutions*

Finally, there we highlight one ongoing effort to develop best practice guidelines for libraries, archives, and other memory institutions that seek to make uses of orphan works. In some ways building off of private initiatives like the SAA Statement, this project seeks to develop a set of best practices guidelines that would help individuals in these institutions understand the accepted norms within the community for when and how a search for rightsholders should be conducted.<sup>112</sup> David Hansen and Jennifer Urban, two of the authors of this paper, are co-researcher on this project and participated in the drafting of the report that explains the goals of the project. That

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<sup>107</sup> *Id.* at 1.

<sup>108</sup> *Id.*

<sup>109</sup> *Id.* at 4.

<sup>110</sup> *Id.* at 4.

<sup>111</sup> See REPORT ON ORPHAN WORKS CHALLENGES FOR LIBRARIES, ARCHIVES AND OTHER MEMORY INSTITUTIONS 9 (Jan. 2013, Principal Researchers: Jennifer Urban, David Hansen, Pat Aufderheide, Peter Jaszi, and Meredith Jacob), [http://centerforsocialmedia.org/sites/default/files/documents/report\\_on\\_orphan\\_works\\_challenges.pdf](http://centerforsocialmedia.org/sites/default/files/documents/report_on_orphan_works_challenges.pdf).

<sup>112</sup> *Id.*

## Diligent Search Under Present and Proposed Orphan Works Regimes

initial report explicitly takes into account the fair use argument for access to orphan works in some circumstances,<sup>113</sup> and it is expected that the resulting best practice document will therefore focus on factors important to the fair use analysis. While the development of the best practices themselves is ongoing, it is worth noting that this and similar community-led initiatives may also play an important role in giving definition to any search standards that are more formally adopted in the United States.

### Conclusion

All orphan works regimes need a way to identify which set of works will be subject to its provisions. As this survey shows, the nature and extent of search requirements in both existing and proposed orphan works regimes can vary greatly. These regimes differ in terms of the search standard itself (e.g., reasonable diligence, reasonable efforts, considerable efforts, or due diligence), the arbiter of that search standard (e.g., independent user evaluation, central government approval, or some other entity), and the level of specificity provided in the proposed statute or regulation regarding the definition of the search standard, and the set of sources to which searchers must look. The costs and benefits of each approach are far from clear. Therefore, we recommend that policy makers carefully study and encourage additional outside research on the relative merits of each approach.

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<sup>113</sup> See Jennifer M. Urban, *How Fair Use Can Help Solve the Orphan Works Problem*, 27 BERKELEY TECH. L.J. (forthcoming 2013), available at <http://ssrn.com/abstract=2089526>.

## Diligent Search Under Present and Proposed Orphan Works Regimes

Regime	Search Standard	Government approved minimum search criteria?	Who is responsible for search?	Approval or review of search required?	Limits on type of users or uses?	When is search conducted?	Where is search conducted?
<b>US Copyright Office approach</b>	“good faith, reasonably diligent search”	No, but did identify set of relevant factors; contemplates creation of external guidelines and best practices with user groups	User	Only subject to. judicial review if lawsuit arises	No	Before use	Unspecified
<b>US Orphan Works bills</b>	“good faith reasonably diligent search” and also must be “reasonable and appropriate” under the facts	Yes; created through agency rulemaking, could incorporate industry developed guidelines	User	Only subject to. judicial review if lawsuit arises	No	Before use; search must be conducted “reasonably proximate” to time of use	Unspecified
<b>EU Orphan Works Directive</b>	“diligent search” in “good faith” and must consult “appropriate sources”	Yes; Must consult sources determined by EU Member States’ national laws, set in consultation with rightsholders and users, which much include sources listed in Annex to Directive. Contemplates different sources depending on different classes of works. Encourages consultation of 2008 EU sector-specific guidelines	User	No	Yes; only public cultural institutions for non-commercial reproduction and making available of certain EU works. No ongoing use in a derivative work without consent of reappearing rightholder.	Before use	EU member state where first publication or broadcast or if unpublished, in country where institution located, but could extend elsewhere if evidence supports
<b>Canadian Regime</b>	“reasonable efforts”	No. Copyright Bd has the authority to create but has not done so yet; Copyright Bd practice is to look at factors similar to those in US Copyright Office Report and expects searches of repertoires of copyright licensing agencies and collective societies, and national libraries’ indices, copyright offices’ regn records, publishing houses and corporate records.	User	Yes; must satisfy review by Copyright Bd. Subject to licensing fees.	No	Before agency grants license	Canada, but could extend if probability that owner is elsewhere
<b>Korean Regime</b>	“considerable efforts”	Yes; must send notice to CMO or other authorized users, and publish prior notice of intended use in nat’l newspaper or on websites of Ministry of Culture, Sports & Tourism and Korean Copyright Commission	User	Yes; must satisfy review by Ministry of Culture, Sports & Tourism. Subject to licensing fees.	No	Before agency grants license	Unspecified

## Diligent Search Under Present and Proposed Orphan Works Regimes

Regime	Search Standard	Government approved minimum search criteria?	Who is responsible for search?	Approval or review of search required?	Limits on type of users or uses?	When is search conducted?	Where is search conducted?
<b>Japanese Regime</b>	“due diligence”	Yes	User	Not clear; compulsory license regime but applicant must submit info on search conducted to Comm’n of Agency for Cultural Affairs. Subject to licensing fees.	Only applies to works made available in Japan for some time. Copies of OW must bear indication that work is licensed under OW regime, and note date license granted.	Before agency grants license	Unspecified
<b>EU Proposed CMO Directive</b>	“diligent and good faith reasonable measures”	Yes. Must verify CMO membership records, and make available to CMO members and to general public a list of works for which rtholders not identified or located.	CMO	No; but subject to external scrutiny because CMOs must publish annual transparency report	Applies only to EU CMOs	After use, upon distribution of license fees within 12 months of financial year in which revenue collected.	EU
<b>UK Proposal</b>	“diligent search”	Yes, new agency will issue sector-specific guidelines	User for individual uses; cultural institution or CMO for mass digitization	Yes, for individual uses; for ECL, cultural institutions or CMOs would be audited for compliance	Covers commercial and non-commercial uses; Non-exclusive license to use individual OW in UK. Subject to licensing fees.	Before grant of license to use or mass digitization.	.Will include at least EU OW Directive Annex sources, and likely UK Copyright Hub & Digital Copyright Exchange records
<b>Hungarian Regime</b>	“appropriate measures” in manner deemed reasonable given class of work and proposed use	Yes, Sector-specific guidelines and non-exhaustive list of resources deemed “reasonable” included in statutory regulation	User for individual uses; CMO for uses covered by existing collective management regime	Yes for individual uses seeking license from Hungarian Patent Office;	Covers both commercial and non commercial uses. Subject to fees (waivable for non-commercial).No derivative works for individual uses	Before grant of license to use	Contemplates Internet searches; Hungary or other country of first publication for text unless “disproportionate difficulties”.

## APPENDIX

### SOURCES WHICH MUST BE CONSULTED IN A DILIGENT SEARCH UNDER THE 2012 EU ORPHAN WORKS DIRECTIVE

Article 3(2) of the EU Orphan Works Directive provides that the decision as to what sources will be considered appropriate for diligent searches for particular categories of works is to be determined by EU Member States, in consultation with rightsholders and users, but should include *at least* the sources specified in the Annex to the Directive. These are set out below.

#### ANNEX TO THE DIRECTIVE

(1) *For published books:*

(a) *Legal deposit, library catalogues and authority files maintained by libraries and other institutions;*

(aa) *The publishers` and authors` associations in the respective country;*

(b) *Existing databases and registries, WATCH (Writers, Artists and their Copyright Holders), the ISBN (International Standard Book Number) and books in print databases;*

(c) *The databases of the relevant collecting societies, in particular reproduction rights organisations;*

(ca) *Sources that integrate multiple databases and registries, including VLAF (Virtual International Authority Files) and ARROW (Accessible Registries of Rights Information and Orphan Works).*

(2) *For newspapers, magazines, journals and periodicals:*

(a) *The ISSN (International Standard Serial Number) for periodical publications;*

(b) *Indexes and catalogues from library holdings and collections;*

(ba) *Legal deposit;*

(bb) *The publishers associations and the authors and journalists associations in the respective country;*

(bc) *The databases of relevant collecting societies including reproduction rights organisations.*

(4) *For visual works, including fine art, photography, illustration, design, architecture, sketches of the latter*

## Diligent Search Under Present and Proposed Orphan Works Regimes

*works and others that are contained in books, journals, newspapers and magazines or other works:*

- (a) The sources referred to in points (1) and (2);*
  - (b) The databases of the relevant collecting societies in particular for visual arts and including reproduction rights organisations;*
  - (c) The databases of picture agencies where applicable.*
- (5) For audiovisual works and phonograms:*
- (a) Legal deposit;*
  - (aa) The producers' associations in the respective country;*
  - (b) Databases of film or audio heritage institutions and national libraries;*
  - (c) Databases with relevant standards and identifiers such as ISAN (International Standard Audiovisual Number) for audiovisual material, ISWC (International Standard Music Work Code) for musical works and ISRC (International Sound Recording Code) for phonograms;*
  - (d) The databases of the relevant collecting societies in particular for authors, performers, phonogram producers and audiovisual producers;*
  - (da) Credits and other information appearing on the work's packaging;*
  - (db) Databases of other relevant associations representing a specific category of rightholders.*

### **2008 SECTOR-SPECIFIC DILIGENT SEARCH GUIDELINES DEVELOPED BY THE EU HIGH LEVEL EXPERT GROUP ON DIGITAL LIBRARIES**

Recital 14 of the EU Orphan Works Directive suggests, but does not require, that EU Member States could consult the 2008 sector-specific Diligent Search Guidelines developed by the EU High Level Expert Group on Digital Libraries established under the i2010 Digital Libraries initiative.<sup>114</sup> These are set out below.

*Common resources for all sectors to identify and/or locate the rightholder(s), as feasible:*

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<sup>114</sup> See [http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/hleg/orphan/guidelines.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/hleg/orphan/guidelines.pdf), as adopted by the Memorandum of Understanding on Diligent Search Guidelines for Orphan Works, dated 4 June 2008, at:

[http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/hleg/orphan/mou.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/hleg/orphan/mou.pdf)

## Diligent Search Under Present and Proposed Orphan Works Regimes

- *Check the European Digital Library whether the work has already been digitised, including cooperation between similar cultural institutions Check files/ sources on provenance*
- *Credits and other title/ work/ rightholder information appearing on the work's cover, packaging or otherwise (including names, titles, date and place of recording, publishing)*
- *Information held in receipts, registers, files, collections management systems and other information held by the institution*
- *Following up of these leads to find additional right holders (e.g., contacting a record producer to find the performers)*
- *Collective rights management organisations for the relevant sector and their databases*
- *Relevant associations or institutions representing the relevant category of right holder(s) (including unions, trade associations, their members and their databases and membership lists).*
- *General databases on rightholders and/ or works, such as the WATCH database – [www.watch-file.com](http://www.watch-file.com)*
- *Online copyright registration lists (including those maintained by government agencies such as the U.S. Copyright Office)*
- *The legal deposit/ national library or archive, or other documentation centres*
- *Relevant personal and/ or business directories and search engine searches*
- *The national bibliography or material relevant for the subject matter and published indexes of published material*
- *Published indexes and catalogues from library holdings and collections*
- *Published biographical resources for authors*
- *Published sources on the history of relevant legal bodies (such as publishers or producers having issued the work)*
- *Legal sources such as company house records or industry specific records/ databases on change of ownership of the legal person or publication or their insolvency/ winding up*
- *Contact other owners of the same or similar works by same author/ creator*
- *Agencies administering relevant standards and identifiers (inter alia ISBN for books, ISSN for periodical publications, ISAN for audiovisual material, ISMN for sheet music, ISWC for musical works, ISRC for sound recordings etc.)<sup>115</sup> [Footnote 3] and their databases*
- *Additional publicly available sources depending on the country and the works in question such as probate records (to trace authors' heirs)*
- *Public Lending Right authority databases where available*
- *Lists of books in print*

### [ Examples of resources specific to certain subject matter

#### Books

- *Public Lending Right authority databases where available*

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<sup>115</sup> ISBN: international standard book number, ISAN: international standard audiovisual number, ISMN: international standard music number, ISSN: international standard serial number, ISWC: international standard music work code, ISRC: International Sound Recording Code 4 <http://www.stm-assoc.org/home/stm-afpsp-ppp-issue-clear-rules-for-orphan-works.html>

## Diligent Search Under Present and Proposed Orphan Works Regimes

- *Lists of books in print*

### Journals

*Please refer to the Safe Harbour Provisions for the Use of Orphan Works for Scientific, Technical and Medical Literature by STM/ALPSP/PSP.<sup>116</sup>*

### Sheet music

*Websites listing music publishers & sheet music available in the respective countries*

- *Published sources on the history of relevant music & lyrics writing, such as lyrics in print*

### Audiovisual material

- *National film archives (investigation/identification of material held by such archives is part of the mission of these institutions)*
- *Registre public de la Cinématographie et de l'Audiovisuel, maintained by the Centre national de la Cinématographie ([www.cnc.fr](http://www.cnc.fr))*
- *Published filmographies (although these only record the original production company)*
- *In relation to underlying content, the organisations representing their rightholders, including CMOs*
- *(State) bodies providing financial support for the audiovisual sector*

### Visual material, including photography

- *National projects to list known authors / creators*
- *[www.vci-registry.org](http://www.vci-registry.org)*
- *[www.onlineart.info](http://www.onlineart.info)*

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<sup>116</sup> See [http://www.stm-assoc.org%2F2007\\_11\\_01\\_Safe\\_Harbor\\_Provisions\\_for\\_the\\_Use\\_of\\_Orphan\\_Works.doc](http://www.stm-assoc.org%2F2007_11_01_Safe_Harbor_Provisions_for_the_Use_of_Orphan_Works.doc)



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

David R. Hansen, Gwen Hinze, and Jennifer Urban\*

Over the past several years, policy makers and private actors have developed an evolving set of approaches for addressing the orphan works problem<sup>1</sup>—a problem that arises when “the owner of a copyrighted work cannot be identified and located by someone who wishes to make use of the work in a manner that requires permission of the copyright owner,”<sup>2</sup> preventing follow-on uses of works. These approaches usually attempt to address the orphan works problem by employing some threshold mechanism to differentiate true orphan works, to which the proposed solutions would apply, from non-orphaned copyrighted works. Satisfying a “reasonably diligent search” is one well-known formulation by which users can designate works as orphaned and therefore subject to a proposed solution, though—as this paper points out—alternative approaches certainly exist. Regardless of the specific formulation, the search for rightsholders (or conversely, the confirmation that no rightsholder can be located) is an integral component of almost every orphan works proposal. This paper examines in detail the core schemes for identifying rightsholders among the leading orphan works regimes and proposals.

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

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\* **About this Paper:** This white paper is the fourth in a series from the Berkeley Digital Library Copyright Project, an effort organized by Berkeley Law professors Pamela Samuelson, Jason Schultz, and Jennifer Urban. The project aims to investigate copyright obstacles facing libraries and other like-minded organizations in their efforts to realize the full potential of making works available digitally. More information can be found on the project’s website, available here: <http://www.law.berkeley.edu/12040.htm>.

For more information, please contact David Hansen at [dhansen@law.berkeley.edu](mailto:dhansen@law.berkeley.edu).

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

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

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

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

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

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

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

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

## **I. User-conducted Diligent Search**

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

### A. US Copyright Office Proposal and Proposed US Legislation

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

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

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

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

<sup>5</sup> *Id.* at 71(emphasis added).

<sup>6</sup> *Id.* at 93.

<sup>7</sup> *Id.* at 9

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

<sup>9</sup> *Id.* at 113.

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

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

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

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

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

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

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

### B. EU Orphan Works Directive

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

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

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Act of 2008, S. 2913, 110th Cong. (2008) (as passed by Senate). For a more thorough explanation of the changes made throughout the legislative process, see BRIAN T. YEH, CONG. RESEARCH SERV., RL33392, "ORPHAN WORKS" IN COPYRIGHT LAW (2008), available at [http://assets.opencrs.com/rpts/RL33392\\_20081010.pdf](http://assets.opencrs.com/rpts/RL33392_20081010.pdf).

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

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

<sup>16</sup> *Id.*, Articles 2(1) & 3(1).

<sup>17</sup> *Id.*, Article 1.

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

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

Because the Directive establishes a central EU Orphan Works Register and requires reciprocal recognition across EU member states, relevant EU cultural institutions will be able to rely on other institutions' prior diligent searches. The Directive requires cultural institutions to document the search they have undertaken and the results, which will be recorded in a single publicly-accessible online database<sup>20</sup> that will be established and managed by the European Commission's Office for Harmonization in the Internal Market.<sup>21</sup> To facilitate cross-border use of orphan works within the EU, the Directive requires mutual recognition of works considered to be orphan works after a diligent search is undertaken in one of the 27 EU Member States. A work or phonogram that is considered to be an orphan work in one EU country shall be considered an orphan work in all EU Member States and may be used and accessed as the Directive permits throughout the EU.<sup>22</sup>

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

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

<sup>19</sup> *Id.*, Article 3(1) & Recital 13.

<sup>20</sup> *Id.*, Article 3(6).

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

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

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

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

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

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

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

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<sup>23</sup> *Id.*, Recital 19.

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

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

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

### III. Search by Collective Management Organizations

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

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<sup>26</sup> See *Copyright Act 1970, Law No. 48 of 1970, 2009* (Japan) art. 67, unofficial translation available at [http://www.cric.or.jp/cric\\_e/clj/clj.html](http://www.cric.or.jp/cric_e/clj/clj.html) (requiring a potential user to submit an application for a license along with data explaining why the copyright owner cannot be found); *Copyright Act 1957 as amended by the Copyright Amendment Act of 2012* (India) at paras. 17–18, [http://copyright.gov.in/Documents/CRACT\\_AMNDMNT\\_2012.pdf](http://copyright.gov.in/Documents/CRACT_AMNDMNT_2012.pdf) (allowing for applications to Copyright Board for works where “the author is dead or unknown or cannot be traced, or the owner of the copyright in such work cannot be found,” and directing that the Copyright Board to grant licenses for use after it has made an inquiry into the good faith and satisfied itself that the license needs to be granted after giving any owners an opportunity to be heard); *Copyright Act 1957, Law No. 432, as last amended by Law No. 9625 of April 22, 2009* (South Korea) art. 50, <http://www.wipo.int/wipolex/en/details.jsp?id=7182> (requiring users to submit evidence of considerable efforts to locate the owner); see also *Enforcement Decree of the Copyright Act, 2009-08-06 / No. 21676 / 2009-08-07* (South Korea) (defining “considerable efforts” and detailing the administrative process) at: [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=200937](http://www.wipo.int/wipolex/en/text.jsp?file_id=200937).

<sup>27</sup> The existing UK *Copyright, Patent and Designs Act 1988* permits licensing for orphan performances, but would be broadened under draft legislation currently pending before the UK Parliament which implements the Hargreaves Report recommendations. See proposed sections 116A-116D of the Copyright, Designs and Patents Act of 1988, which would be inserted by section 68 of the draft Enterprise and Regulatory Reform Bill, HL Bill 045 2012-2013, as brought from the Commons on October 18, 2012, at [http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0045/lbill\\_2012-20130045\\_en\\_8.htm#pt6-pb1-11g68](http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0045/lbill_2012-20130045_en_8.htm#pt6-pb1-11g68) and <http://services.parliament.uk/bills/2012-13/enterpriseandregulatoryreform.html>; Maria Strong, *External Perspectives on the New Draft Chinese Copyright Law: Informal Comments of the U.S. Copyright Office*, presentation at the Conference on New Developments in Chinese Copyright Law and Enforcement, Berkeley Centre for Law & Technology, October 4, 2012 at [http://www.law.berkeley.edu/files/bclt\\_Panel\\_2\\_Maria\\_Strong.ppt](http://www.law.berkeley.edu/files/bclt_Panel_2_Maria_Strong.ppt); Dr. Prof. Hong Xue, *A User-Unfriendly Draft: 3rd Revision of the Chinese Copyright Law* at <http://infojustice.org/wp-content/uploads/2012/04/hongxue042012.pdf>.

<sup>28</sup> See, e.g., JOHAN AXHAMN & LUCIE GUIBAULT, CROSS-BORDER EXTENDED COLLECTIVE LICENSING: A SOLUTION TO ONLINE DISSEMINATION OF EUROPE’S CULTURAL HERITAGE? 25 (2011), [http://www.ivir.nl/publicaties/guibault/ECL\\_Europeana\\_final\\_report092011.pdf](http://www.ivir.nl/publicaties/guibault/ECL_Europeana_final_report092011.pdf) (“ECLs have been an important part of the copyright acts of the Nordic countries ever since their first introduction in relation to primary broadcasting at the beginning of the 1960s.106 This system offers a solution to the high level of transaction costs associated with mass-digitisation and online dissemination.”).



of the rights in the relevant class or classes of works.<sup>29</sup>

It is sometimes assumed that using ECL regimes would bypass the need for a diligent search to be undertaken.<sup>30</sup> However, as highlighted by the recently proposed EU Collective Management Directive<sup>31</sup> discussed below, a search for rightsholders would still be required in order to distribute license funds to owners. The primary difference between ECL regimes and other proposals is in who conducts the search. Under ECL regimes under discussion, the search may likely be conducted by the CMO (not the end user), and the search might be deferred to a later time (after use of the orphan work has been made) when the CMO is required to distribute funds to the rightsholders it is deemed to represent.

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

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

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

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

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

### A. Renewed Worldwide Interest in ECL Regimes

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

The European Commission considered (but ultimately rejected) an ECL regime for orphan works regime in its 2011 Impact Assessment on Orphan Works<sup>37</sup> and in its 2009 Reflection

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

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

<sup>35</sup> See *Priorities and Special Projects of the United States Copyright Office, October 2011-October 2013*, 7, at <http://www.copyright.gov/docs/priorities.pdf>; U.S. COPYRIGHT OFFICE, LEGAL ISSUES IN MASS DIGITIZATION: A PRELIMINARY ANALYSIS AND DISCUSSION DOCUMENT 37 (2011), [http://www.copyright.gov/docs/massdigitization/USCOMassDigitization\\_October2011.pdf](http://www.copyright.gov/docs/massdigitization/USCOMassDigitization_October2011.pdf) (“Further public discussion on this subject should explore the pros and cons of extended collective licensing for books or other digitized works, whether this model would be of interest or concern to authors, publishers, libraries, and other interested stakeholders, and whether it would create or remove obstacles to mass digitization projects.”). The Office has now formally invited comments on the issue of orphan works and mass digitization. *Orphan Works and Mass Digitization Notice of Inquiry*, 77 Fed. Reg. 64,555 (Oct. 22, 2012), <http://www.copyright.gov/fedreg/2012/77fr64555.pdf>.

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

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

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

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

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<sup>38</sup> European Commission, *Creative Content in a European Digital Single Market: Challenges for the Future, A Reflection Document produced by DG INFOSOC and DG MARKT* (October 22, 2009), [http://ec.europa.eu/avpolicy/docs/other\\_actions/col\\_2009/reflection\\_paper.pdf](http://ec.europa.eu/avpolicy/docs/other_actions/col_2009/reflection_paper.pdf).

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

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

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

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

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

statutory provisions to give extended effect to licensing regimes.

### *B. Existing Extended Collective Licensing Regimes*

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

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

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

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

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

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

<sup>46</sup> AXHAMN & GUIBAULT, *supra* note 28, at 27-28, 30.

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

<sup>48</sup> GERVAIS, *supra* note 29.

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

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

### *C. Proposed EU Directive on Collective Management Organizations*

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

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

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

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

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

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

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

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

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<sup>51</sup> *Id.*, Title III and Articles 36 and 40 of Title IV.

<sup>52</sup> *Id.*, Titles I, II and IV.

<sup>53</sup> *See supra* note 30.

<sup>54</sup> *Id.*, Article 12(1).

<sup>55</sup> *Id.*, Article 12(2).

<sup>56</sup> *Id.*, Article 12(3); Recital 15.

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

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

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

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

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

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

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<sup>57</sup> *Id.*, Article 20 & Annex I.

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

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

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<sup>58</sup> Picker, *supra* note 32.

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



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

#### IV. Hybrid Approaches

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

##### *A. Proposed Google Books Search Settlement Books Rights Registry*

The Google Books Search Amended Settlement Agreement (ASA) imagined searches done by different entities at different times. The ASA grew out of the class action lawsuit brought by a number of rightholders seeking to halt Google’s Google Books project.<sup>60</sup> The now rejected<sup>61</sup> ASA created a system that operated much like ECL,<sup>62</sup> giving Google a license to make out-of-print works available for a set percentage of revenues generated by Google from those works.<sup>63</sup> Orphan works—an important subset of the “out of print” category of works—were included under the ASA. The settlement differed from ECL regimes, however, in that search for rightholders was spread out in various stages and over several entities. First, the ASA required that Google first make an initial search to determine whether the work was “not commercially available.”<sup>64</sup> Google was tasked under the terms of settlement with making this determination by referring to third-party databases, analyzing the books retail availability, and searching through other publicly available online sources.<sup>65</sup>

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

<sup>61</sup> *Id.*

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

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

<sup>64</sup> *Id.* § 3.2(d)(i), at 29.

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

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

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

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

#### *B. Proposed UK Two-tiered Approach*

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

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<sup>66</sup> *Id.* § 6.1, at 80.

<sup>67</sup> *Id.* § 6.2(b), at 82.

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

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

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

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

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

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

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

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

required standards.<sup>73</sup>

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

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

### *C. Hungarian Two-Tiered Approach*

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

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<sup>73</sup> *Id.*, at 3.

<sup>74</sup> *Id.* at 5.

<sup>75</sup> *Id.* at 7.

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

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

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

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

#### *D. Assertions of Fair Use or Other Exceptions*

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

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[17EN.pdf](#).

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

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

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

<sup>82</sup> Aniko Gyenge, Hungarian Ministry of Justice and Law Enforcement, Head of Unit on Consumer Protection, Copyright and Industrial Property Unit *The Hungarian Model of Licensing Orphan Works* 8 (Presentation at the European States Presidency Conference on Digitisation of Cultural Material, Digital Libraries and Copyright, March 14, 2010, Madrid), [http://www.mcu.es/principal/docs/MC/PresidenciaUE2010/Aniko\\_Gyenge\\_presentation.pdf](http://www.mcu.es/principal/docs/MC/PresidenciaUE2010/Aniko_Gyenge_presentation.pdf). See also Ficsor, *supra* note 78; Audiovisual Orphan Works in Europe – National Survey, Report prepared for the British Film Institute by KEA European Affairs (May, 2011), <http://www.keanet.eu/docs/ORPHAN%20WORKS%20STUDY%20KEA.pdf>; *Orphan Works*, WIPO Lecture Series (May 2010, Paper prepared by Yael Lifshitz-Goldberg), [http://www.wipo.int/edocs/mdocs/sme/en/wipo\\_smes\\_ge\\_10/wipo\\_smes\\_ge\\_10\\_ref\\_topic11\\_1.pdf](http://www.wipo.int/edocs/mdocs/sme/en/wipo_smes_ge_10/wipo_smes_ge_10_ref_topic11_1.pdf).

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

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

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

## Conclusion

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

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

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

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

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

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

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