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By Electronic Submission

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Reply Comments on "Orphan Works" Inquiry (Federal Register, January 26, 2005)

Sent by:

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Dear Mr. Sigall,

These reply comments address some of the suggestions made in several of the comments initially filed. We will focus principally on the consistency of these proposals with the US' international obligations not to reinstate formalities, and to ensure that any exceptions or limitations conform to the Berne art. 9(2)-TRIPs art 13 "three-step test," or to other prescriptions set out in arts. 10, 10bis, 11bis and 13 of the Berne Convention. But we begin with a few more general observations.

1. Many comments propose that once a work is designated as "orphaned," a requester who has demonstrated a duly diligent effort to find the rightholder should be able to exploit the work. Should the right holder reappear, its recourse against the diligent user would be limited in a variety of ways (depending on the proposal). On the whole, some limitation of remedies may well be preferable to instituting a formal compulsory license system, as, for example, in Canada. As a general matter, however, the diversity of responses highlights the fundamental importance of precisely defining the category of "orphan" works. The broader the category, or the lower the bar to making the requisite showing of due diligence, the greater the risk of inconsistency with our

international obligations to uphold authors' exclusive rights under copyright. Compliance with Berne/TRIPs is required by more than punctilio; these rules embody an international consensus of national norms that in turn rest on long experience with balancing the rights of authors and their various beneficiaries, and the public. Thus, in urging compliance with these technical-appearing rules, we are also urging compliance with longstanding practices that have passed the test of time.

Many of the comments evoke different "orphan works" scenarios. It is important to distinguish three categories:

1. Owner cannot be identified.
2. Owner identified, but does not respond to requests.
3. Owner identified and responds, but refuses permission, or imposes conditions with which the requester cannot or does not wish to comply.

Works coming within the first category can properly be labeled "orphan," so long as the endeavors to locate the owner are sufficient (see below). The third category does not, however, describe an "orphan work." Copyright includes the right to determine whether or not, and how, to authorize a given exploitation, as well as to select the exploiter. Both Berne and TRIPs posit that the author's rights are exclusive; exceptions and limitations such as compulsory licenses, are narrowly constrained and do not call into question the author's basic right of control.

The second category is the most problematic, because a copyright owner's right to refuse permission can also entitle it to be discourteous. But an unresponsive right holder may not be a right holder at all. The "owner" may be failing to respond because it is not in fact the pertinent right holder, or has died or gone out of business, and the request was not transmitted to the successor-in-title. Nonresponsiveness might best be analyzed as probative of inability to locate the right holder, rather than as a criterion independently justifying the labeling of a work as "orphaned." The latter course risks coming into conflict with the right holder's prerogatives.

2. Another general issue, but one whose international implications may be particularly acute, concerns the determination whether the relevant right holder is the author or someone to whom she transferred rights. This may be especially pertinent to older works: to the extent that the uses sought to be made of the works involve uses unknown or unanticipated at the time of the transfer (e.g., digital reproduction and dissemination), the author may remain the residual right holder. In the US, the scope of "old licenses" is a matter of state contract law, and the answer may differ depending on, for example, whether New York or California law governs the contract. With respect to grants of rights in foreign works,

the same principle applies; U.S. courts will look to the country with the most significant relationship to the work's creation (usually, the country of the work's origin) to determine ownership of the rights allegedly transferred, see *Itar-Tass Russian News Agency v. Russian Kurier*, 153 F.3d 82 (2d Cir. 1988). Under the laws of several foreign countries, a transfer of rights either cannot extend to exploitations unknown at the time of contracting (e.g., Germany), or any such transfer must be explicit (e.g., France). Where neither the author nor the transferee are locatable, the orphan works solution (whatever it is) will be the same. But when the user can find only one of these, who bears the risk that the party purporting to be able to grant (or refuse) permission is in fact the right holder? Should the user be entitled to a presumption that whoever can be located will be considered the right holder, thus immunizing the user, and remitting disputes to the parties to the contract? Would such a presumption, to the extent it favors the transferee, be appropriate for foreign works? Answers to these (and other) questions will turn on extensive factual inquiries, for example, with foreign collective administration societies, but we think it is important to raise them at this point.

### 3. Formalities

a. The prohibition on imposition of formalities as a condition of the exercise or enjoyment of copyright forms part of the minima of protection that all Berne/WTO members must grant authors from other Berne/WTO countries. (See Berne art. 5.2; TRIPs Berne compliance clause, art. 9.1). Berne-TRIPs also impose a minimum duration of 50 years post mortem auctoris (Berne art. 7.1), or, for anonymous and pseudonymous works, and cinematographic works, 50 years from first making publicly available (Berne arts. 7.2, 7.3), and for photographs, 25 years from first making publicly available (Berne art. 7.4, although WCT countries, including the US, are to apply the general Berne term, see WCT art. 9). It is not clear whether, after the expiration of the minimum period, member States would be free to impose formalities as a condition of continued protection. Berne art. 7.6 authorizes member states to grant a term of protection that exceeds the minimum period; it may well be implicit that the nature and scope of that protection should remain consistent with the Berne minima. In other words, a member state is not obliged to protect another Union member's works for longer than 50 years pma, but if it does choose to do so, it should continue to make protection formality-free, and to restrict limitations on exclusive rights to those authorized by the Convention.

b. Whether or not a US orphan works regime may impose formalities

during the last 20 years of the copyright term, the regime should not become a back door for reinstatement of formalities during the Berne minimum period. On the other hand, truly voluntary participation in an owner-identifying system is to be encouraged. The various proposals should be examined in that dual light.

i. Owner Registries

If the consequence of non registration is "orphan" designation, with a concomitant limitation on copyright enforceability, this would violate the Berne-TRIPs no formalities rule. Berne art. 5.2 prohibits subjecting the "enjoyment and exercise" of authors' rights to "any formality." The exercise of copyright necessarily includes its enforcement. See, e.g., Sam Ricketson, *The Berne Convention 1886-1986*, para. 5.84 "Formalities as to the exercise of rights" (1987). While the US, in adhering to the Berne Convention, determined that it could, consistent with Berne, condition enhanced remedies, such as statutory damages and attorneys' fees, on compliance with a pre-suit registration requirement, Congress eliminated a pre-suit registration requirement for foreign works claiming the basic copyright remedies of injunctions and actual damages or profits, see 17 USC sec. 411(a)(registration requirement applies to "United States work[s]"). See also Report of the Ad Hoc Working Group on U.S. Adherence to the Berne Convention, reprinted in 10 *Colum.-VLA J.L. & Arts* 513, 569-574 (1986).

Inability to find an owner through the Copyright Office register, or, for that matter, another publicly accessible registry, such as the ASCAP database, may be probative of "orphaned" status, but it cannot, standing alone, suffice to justify the designation. To make non registration determinative of any diminution in the author's rights would likely put the US in non compliance with its international obligations.

ii. User registries

Some proposals suggest that users should be obliged to file a notice of intent to use a work whose owner the user has been unable, after due diligence, to locate. If the owner does not respond to the notice within a reasonable period, the use would be permitted (at least until the right holder appears). This system would oblige the copyright owner to check the user registry, at the cost of having to tolerate (to some extent) the listed use. It is not clear that requiring review of and response to a user registry would be considered a prohibited formality. But it is troublesome nonetheless: a system that provided for free (or at least uncontrolled) use of all copyrighted works, orphan or not, if the copyright owner failed to respond within a given number of days to a proposed use, would violate the very notion of exclusive rights at the

heart of Berne/TRIPs. If, by contrast, proof of the user's due diligence in seeking the owner were a prerequisite to any copyright-limiting effect of the user registry, then the registry would not constitute the sole basis for orphan works designation, and the likelihood of its assimilation to a prohibited formality might be accordingly reduced.

#### 4. Limitation of remedies

Many proposals urge that, once a work has been designated as "orphaned," the user should enjoy some extent of immunity should the owner reappear. A frequently proposed limitation on remedies would offer the diligent user complete immunity for the use made, not only before, but also after the owner's reappearance; post-reappearance new uses, however, would require authorization. Variations on this theme would continue to preclude injunctive relief, but allow damages, so long as they are capped, or would propose some form of royalty. The effect of these proposals is to create de facto exemptions or compulsory licenses for the unauthorized use of "orphaned" works. Accordingly, it is necessary to consider their compatibility with the constraints that Berne and TRIPs impose on member states' leeway to create exceptions and limitations on exclusive rights.

a. As a threshold matter, one may inquire whether a limitation on remedies is a "limitation or exception to exclusive rights," within the meaning of TRIPs art. 13 (emphasis added). It seems rather sophistic to suggest that art. 13 would not reach a member State whose copyright law included no explicit limitations on the scope of exclusive rights, but whose remedial provisions denied injunctive and monetary relief for certain classes of infringements. In any event, this wordplay would not survive analysis under Berne art. 9.2, which allows member states to "permit the reproduction of [literary and artistic] works," subject to the three-step test. An orphan works regime is designed to "permit the reproduction" (and other uses) of the works in question; accordingly, the regime must comply with the triple conditions to such permission.

b. Before analyzing whether the proposed limitations on remedies pass the three-step test, it is important to recall that, outside the realm of the reproduction right, the test does not govern every copyright exception or limitation. For example, TRIPs art. 13 does not displace Berne art. 11bis(2)'s more specific limitations on the right of communication to the public. Thus, for example, member States may not, outside the realm of "minor exceptions," create unremunerated exemptions for certain primary and secondary transmissions of works. In assessing the consonance of any remedy-limiting orphan works regime with Berne-TRIPs criteria, therefore, it will be necessary to determine whether a use

involving a "communication to the public" comes under Berne art. 11bis(2), or would qualify as a "minor exception." In the former event, an outright exemption for the use may not be permissible. In the latter event, the proposed use must conform to the three-step test of TRIPs art. 13.

c. The three-step test

i. Certain special cases

Both terms, "certain" and "special," require interpretation. The WTO Panel in the proceeding challenging sec 110(5) of the US copyright act (WT/DS160/R June 15, 2000) determined that "certain" meant "clearly defined;" "special" meant "narrow in scope and reach" (paras. 6.108, 6.109, 6.112). These requirements are cumulative, and apply to the range of works subject to the exception, to the range of beneficiaries of the exception, and to the breadth of the rights made subject to the exception or limitation. See para. 6.110 ("the 'case' could be described in terms of beneficiaries of the exceptions, . . . types of works or by other factors.") Thus, while the scope of the 17 USC sec. 110(5)(B) exception was "clearly defined" with respect to the size of the business establishments benefiting from the exemption, it was not "narrow," because the class of beneficiaries was held to be too broad, comprising most eating and drinking establishments, and almost half of all retail establishments (para. 6.133). By contrast, the sec. 110(5)(A) ("homestyle") exemption passed muster under the first step because the number of business establishments affected, and the class of works at issue ? dramatic musical works ? was considerably smaller than those exempted by 110(5)(B) (paras. 6.143, 6.146-148).

It is not immediately apparent how an orphan works regime that reached all classes of works and permitted all types of uses could meet the first step. Assuming the universe of works were defined as those whose right holders cannot be found despite a duly diligent search, there remain the questions whether the criteria necessary to a successful showing of due diligence are sufficiently well-defined, and whether they sufficiently narrow the class of relevant works. In other words, the lower the due diligence threshold, the greater the number of works susceptible to "orphan" designation; this in turn risks creating a class of works that is insufficiently narrow. By the same token, the wider the class of beneficiaries of the regime, the less likely the "case" of orphan works is to be deemed "special." Similarly, the greater the range of exploitations the regime permits, the more likely the regime may exceed the narrow bounds of permissible "scope and reach." This does not mean that no orphan works regime could pass the first step, but it does suggest that it will be very important to set a high standard of due diligence in order to ensure that the "cases" in question are genuinely "special."

ii. Conflict with a "normal exploitation"

Several proposals assert that limiting remedies for the unauthorized use of "orphan" works poses no Berne-TRIPs problem because there is by definition no "normal exploitation" for a work whose owner cannot be found, and which therefore is not being exploited. This is intuitively appealing, but requires closer analysis. As interpreted by the WTO panel, and by other commentators, "normal exploitation" refers to uses that copyright owners in general would make of the work; it has not been applied to the use an individual

copyright owner makes. Thus, for example, the WTO Panel addressed "the ways that right holders normally extract economic value from that right to the work" (para. 6.183). Professor Ricketson has stated that "the expression 'normal exploitation of a work' refers simply to the ways in which an author might reasonably be expected to exploit his work in the normal course of events." (para. 9.7, emphasis supplied). The exploitations that an orphan works user would seek to make are likely to be of the kind that are normally licensed; indeed the user has sought out the right holder precisely because the use normally would require authorization.

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

Non exploitation of rights by a particular rights holder thus may not suffice to remove the desired use from the realm of "normal

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

If the notion of "conflict" provides the key to passing the second step, it would follow that once a conflict arises, that is, once the right holder reappears and objects, an orphan works regime that deprived the owner of the ability to enforce her copyright against ongoing (as opposed to past) uses would be very problematic. (By the same token, following through the assertion that there is no "normal" exploitation of an "orphaned" work, once the owner appears and seeks to control exploitation, the diligent user's use thenceforth reverts to a "normal" one; continued use thus raises difficulties.) Some ongoing uses might nonetheless be permissible: one might analogize to Berne Conv. art. 18.3, which permits member states to "determine the conditions of application" of the principle of restoration of copyright in public domain works, to suggest that some transitional measures to reconcile the reliance interests of the diligent user with the exclusive rights of the reappearing owner could be appropriate. For example, where the diligent user has made a derivative work based on the orphan work, the diligent user's additional authorship may justify requiring the user and the owner to come to an agreement, along the lines of 17 USC sec. 104A(d)(3).

### iii Unreasonably prejudice

If (and only if) the exception does not "conflict with a normal exploitation," then, under the third step, the exception may be permissible so long as it does not unreasonably harm right holder interests that are justifiable in light of general copyright objectives; the unreasonableness of the harm may in some cases be allayed if the state substitutes compensation for the control the copyright owner could have exercised absent the exception. The right holder interests are the usual ones, although one might contend that a right holder who has "effectively abandoned" the work has disclaimed any interest; having given up interest



in the work, she has none left to be "unreasonably prejudiced." This may be too facile a characterization, however, for it assumes deliberate non-exploitation of the work. That may be true for some right holders, but not for others, particularly residual right holders (authors) who may not be aware that they retain the relevant rights or reacquired them by reversion.

Another interpretation of the legitimate interests of the right holder would consider the nature of the use sought to be made. For example, the legitimacy of the unlocatable right holder's de facto refusal to license may be less persuasive where the user wishes to undertake a non-profit educational or library use. This may be problematic, however: the purpose of an "orphan works" regime is to allow uses that would (or might) not otherwise qualify as exempted fair uses. If the use is more extensive than fair use would generally allow, then refusal to license would legitimately enforce exclusive rights. On the other hand, as the US Supreme Court has indicated, while "fair use" is non-infringing use, and therefore leaves the copyright owner remediless, injunctive relief may not always be the sole means of protecting the author's legitimate interests, particularly when the user has made certain transformative uses of the work. See *Campbell v Acuff-Rose Music*, 510 US 569, 578 n. 10 (1994).

The key inquiry in the case of orphan works may focus on the "unreasonably prejudice" component of the third step. The WTO Panel stated, "prejudice to the legitimate interests of right holders reaches an unreasonable level if an exception or limitation causes or has the potential to cause an unreasonable loss of income to the copyright owner." (para. 6.229). At the time the diligent user makes her request, an unauthorized use would not "cause an unreasonable loss of income to [a] copyright owner" who has not been deriving any income from the work. But future losses must also be considered. The Panel further stated:

6.247 We recall our conclusion that in the application of the three conditions of Article 13 to an exemption in national law, both actual and potential effects of that exception are relevant. As regards the third condition in particular, we note that if only actual losses were taken into account, it might be possible to justify the introduction of a new exception to an exclusive right irrespective of its scope in situations where the right in question was newly introduced, right holders did not previously have effective or affordable means of enforcing that right, or that right was not exercised because the right holders had not yet built the necessary collective management structure required for such exercise. While under such circumstances the introduction of a new exception might not cause immediate additional loss of income to the right holder, he or she could never build up expectations to earn income from the exercise of the right in question. We believe that such an interpretation, if it

became the norm, could undermine the scope and binding effect of the minimum standards of intellectual property rights protection embodied in the TRIPS Agreement.

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

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

## 5. Due diligence

The preceding analysis indicates that the consistency of an orphan works regime with the US' international obligations will principally depend on the rigorousness of the search for the copyright owner. Different comments propose different approaches to articulating the criteria for due diligence, but we suggest it is premature to outline either the specific content or the general approach to defining the requisite scope of a search. Rather, fact-gathering will be crucial to this endeavor. Some of the comments detail specific occasions on which searches were undertaken (with or without success), and these are very helpful to convey a sense of the scope of the problem, but we believe the information submitted is not yet sufficiently extensive nor systematic to form the basis for a due diligence prescription.

In particular, inquiry into the approaches taken in other countries (in

many of which it has been a century since formalities ceased conditioning the exercise or enjoyment of copyright) could prove particularly useful. For example, how have foreign collecting societies resolved some of the more central issues presented by orphan works? What other means are available to locate right owners, especially authors (who in many of these countries may be the residual right holders, and who, independently of economic rights, also enjoy moral rights which an orphan use might implicate)? How have these countries reconciled an orphan works regime (if they have one) or an extended license regime with Berne arts. 5.2, 9.2, 11bis.2, and TRIPs art. 13?

Devising a due diligence standard that is consistent with practices in other countries is important for another reason: Berne art. 11bis.2 allows member states to "determine the conditions" of the communication to the public of certain primary and secondary transmissions, but specifies that "these conditions shall apply only in the countries where they have been prescribed." Art. 13.1, permitting compulsory licenses to make phonograms, contains a similar restriction. (Arts. 11bis.2 and 13.1 also require that the author receive equitable remuneration.) In other words, even if the US devised a licensing regime for "orphan" works, the license could not be effective to authorize communications of the works outside the US. The same conclusion applies to outright exemptions: because copyright law is territorial, each country adjudicates under its own law the question whether conduct occurring within its borders ? including the communication of copies to users in a particular country ? is infringing. See, e.g., *Itar-Tass*, supra. Because many of the "orphan" uses sought to be made are likely to involve the Internet, the communications will almost inevitably be received outside the US, where they may violate local law. The communications are less likely to be infringing abroad if the orphan works regime, and especially the due diligence standard, adopted here are consonant with those employed elsewhere.