The Orphan Works Copyright Issue

THE ORPHAN WORKS COPYRIGHT ISSUE: SUGGESTIONS FOR INTERNATIONAL RESPONSE

by Bingbin Lu*

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INTRODUCTION

The orphan works problem is one of the major challenges to copyright law today.¹ This problem has been extensively publicized and amplified by the Google Book Search case, which demonstrated that the orphan works problem is a serious obstacle to any large-scale digitization project. Individualized clearances of copyrights seem to be inappropriate and even impossible for large-scale digital library projects such as Google Book Search in the U.S. and Europeana in the EU. The problem has been labeled “a tragic problem”² and needs to be solved in a proper way.

This article will first discuss the problem of orphan works and analyze its causes and roots. It will then discuss and evaluate some leading suggestions and models proposed or carried out by some countries concerning orphan works. Finally, it will propose a legal framework to solve the orphan works problem with the objective of facilitating lawful, cross-border online access to orphan works.

I. THE ORPHAN WORKS PROBLEM

An orphan work is generally defined as a work protected by copyright, but whose rights holder cannot be identified or located, after a diligent search. Since orphan-work status can only be determined after a diligent search, the definition of orphan work shall incorporate a requirement of diligent search. Reasons for a work to be orphaned are many. The passage of time, death, business insolvency, etc. may result in great difficulty in finding the copyright owner. In some cases, the name of the creator or copyright owner of an orphan work may be known, but other than the name no information can be established, meaning that the rights holder cannot be located.

The scale of the orphan works problem is surprising. According to a British Library estimate, orphan works constitute 40% of the copyrighted works in its whole collection.³ A study by the Carnegie Mellon University Libraries showed that 22% of the publishers of the works in its collection could not be found.⁴ Google’s Senior Vice President of Corporate Devel-

⁴ See Letter from Denise Troll Covey, Principal Librarian for Special Projects, to Jule L. Sigall, Assoc. Register for Pol’y & Int’l Affairs, U.S. Copyright Of-
opment and Chief Legal Officer, David Drummond, estimated that about 20% of all books published in the United States, Canada, Australia, and the United Kingdom will ultimately remain unclaimed and will be deemed orphaned. Estimates of the number of orphan works vary not only because it depends on the sector involved, but also because there is currently no standardized methodology and criterion that libraries, archives, and museums can use to establish the status of an orphan work. Actually, books in libraries at least contain some information regarding their authors and publishers. The worst cases are other categories of works such as photographs, sound recordings, and film footage, which usually lack information identifying the author or rights holder. According to a survey of the Image Library of U.K. National Archives, for photographs with registration forms for copyright protection between 1883 and 1912, 95% of the copyright holders to 80,000 images still in copyright were untraceable.

The adverse effects of the current copyright system on the use of orphan works are obvious. Under the current copyright system, copyrights are automatically attached to all creative works, meaning that a law-abiding user must assume that the work is protected by copyright, and try to locate the copyright owner and request permission. Thus, a user will face difficulties in obtaining licenses for exploiting orphan works. Mass-scale digitization of copyrighted works has manifested and also magnified such adverse effects. The legal uncertainties involved with using orphan works create a major obstacle to mass-scale digitization projects such as the Google Book Search Project. The cost of identifying and contacting copyright holders probably will outweigh the cost of digitization and indexing of the books, whether or not the books are orphaned.

The licensing difficulties of orphan works have substantial adverse effects on the purpose of copyright law and the public interest. As stated by Marybeth Peters, the former Register of Copyrights in the U.S., “If there

5 See Competition and Commerce in Digital Books: Hearing Before the H. Comm. on the Judiciary, 110th Cong. 12 (2009) (testimony of David Drummond, Senior Vice President of Corporate Development and Chief Legal Officer, Google, Inc.).


is no copyright owner, there is no beneficiary of the copyright term and it is an enormous waste. The outcome does not further the objectives of the copyright system." The U.S. Copyright Office has also noted that “the public interest may be harmed when works cannot be made available to the public due to uncertainty over its copyright ownership and status, even when there is no longer any living person or legal entity claiming ownership of the copyright or the owner no longer has any objection to such use.” The orphan works problem may frustrate reutilization of pre-existing content and prevent culturally or scientifically valuable content from being used. The current copyright system for orphan works has been widely criticized, and labeled as “a system that offers no real benefits to authors.” Such a system is desperately in need of reform.

II. NO FORMALITY PRINCIPLE: ROOT OF THE ORPHAN WORKS PROBLEM

Currently, copyright protection does not require adherence to any kind of formality. The formality-free or no-formality principle is an international obligation under the Berne Convention for the Protection of Literary and Artistic Works, the preeminent international treaty on copyright. It does not allow signatory countries to condition the enjoyment or exercise of rights on compliance with formalities. The enjoyment of copyright is automatic, and copyrights may not be revoked or limited for failure to follow formalities.

However, from a historical perspective, initially copyright law imposed formality requirements. The first modern copyright law, the 1710 U.K. Statute of Anne (An Act for the Encouragement of Learning), im-

11 Duke Center for the Study of the Public Domain, supra note 2, at 3.
posed the formalities of registration and deposit.\textsuperscript{13} The 1790 U.S. Federal Copyright Act sections II (regarding registration) and V (regarding deposit), and the 1791 and 1793 French droit d’auteur decrees, all had formalities requirements. To enjoy copyright protection or to enforce the right before courts, these laws required authors or copyright owners to register their copyrights, to deposit copies of their works or to mark these copies with some kind of copyright notice.\textsuperscript{14} Registration, deposit, and the indication of a notice are the most typical examples of copyright formalities.

The Berne Convention originally also permitted formalities as conditions for the enjoyment of copyrights, but only allowed those of the country of origin of the work or the country to which the author belonged in the case of a manuscript or unpublished work. In the first draft of the Berne Convention published in 1884, the relevant part of article 2 read as follows: “The enjoyment of the above rights shall be subject to compliance with the conditions of form and substance prescribed by the legislation of the country of origin of the work or, in the case of a manuscript or unpublished work, by the legislation of the country to which the author belongs.”\textsuperscript{15}

From the late-nineteenth or early-twentieth centuries onward, copyright formalities began to lose their significance at both the international and national levels. The 1908 Berlin revision of the Berne Convention adopted a different version of article 2, one that has survived until now, renumbered as article 5(2). Among national laws, those of the United States once were the most firmly attached to adherence to formalities for copyright. Prior to 1976, copyright laws passed by the U.S. Congress established a system that required compliance with numerous formalities in order for a work to be protected. The important formalities were registration of the work and deposit of a copy with the U.S. Copyright Office, providing notice of copyright protection upon publication of the work by affixing a device such as the familiar © symbol along with the name of the

\textsuperscript{13} See Act for the Encouragement of Learning (1710), secs. II (including registration), V (about deposit), 8 Anne, c. 19 (Eng.), available at http://avalon.law.yale.edu/18th_century/anne_1710.asp.


\textsuperscript{15} See WORLD INTELL. PROP. ORG. (WIPO), BERNE CONVENTION CENTENARY 1886–1986, at 94 (WIPO Publication No. 877(E) 1986).
owner, and renewal of the registration after a comparatively short period of initial protection.\footnote{See, e.g., Tobe Leibert, \textit{Features – The Problem of Orphan Works}, LLRX.COM (May 15, 2005), http://www.llrx.com/features/orphanworks.htm.} In the 1976 Copyright Act, the U.S. Congress began the journey toward eliminating formalities from copyright law. The 1976 Copyright Act and adherence to the Berne Convention marked a sea change in U.S. copyright law — a profound shift in philosophy.\footnote{Shira Perlmutter, \textit{Freeing Copyright from Formalities}, 13 \textit{CARDozo ARTS & ENT. L.J.} 565, 581 (1995).} In 1988, the United States finally acceded to the Berne Convention, effective March 1, 1989. By joining the Berne Convention, the U.S. committed itself to the elimination of formalities and in the Berne Convention Implementation Act of 1988\footnote{Pub. L. No. 100-568, 102 Stat. 2853.} accepted the principle of formality-free rights. Under the current U.S. Copyright Act, registration is only required for copyright owners of American works who want to sue for copyright infringement.\footnote{17 U.S.C. §§ 411(a), 412 (2006).} This special formality is justified by the rule of evidence, and is not considered a formality prerequisite for the exercise of rights.

The elimination of formalities has also occurred in China. The earliest Chinese Copyright Decree of 1910, formulated by the Qing Dynasty government, also imposed the registration requirement for copyright protection.\footnote{See Copyright Decree of the Qing Dynasty (China), issued on January 1, 1990, arts. 2, 4 (in Chinese).} The Copyright Law of the Peoples’ Republic of China of 1990 eliminated this requirement, meaning that after eighty years, the Chinese Copyright Law adopted a formality-free principle for copyright. Thus, the last century has witnessed the shift away from copyright formalities.

The reasons for the international and national evolution of no-formality copyright are manifold.\footnote{Stef van Gompel, \textit{Formalities in the Digital Era: an Obstacle or Opportunity?}, \textit{supra} note 14, at 395-424.} No-formality copyright fit very well into the natural right theory of property. Formality-free copyright also has practical implications for securing international copyright protection. If a formality requirement were maintained in copyright law, it would cause problems such as substantial administrative costs and huge backlogs of applications, which are manifested by the current patent system.

Because the absence of a comprehensive registry creates prohibitive transaction costs and is directly linked to the orphan works problem, several academic proposals include the reformation of a copyright registry.\footnote{See, e.g., Joshua O. Mausner, \textit{Copyright Orphan Works: A Multi-Pronged Solution to Solve a Harmful Market Inefficiency}, 55 J. COPYRIGHT SOC’Y 517, 534 (2008); Dennis W.K. Khong, \textit{Orphan Works, Abandonware and the Missing Market for Copyrighted Goods}, 15 INT’L J.L. & INFO. TECH. 54, 71}
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Ideally, a one-stop-shop registry, which is user-friendly and internationally interoperable, should be established.23 If a copyright registration system were reinstated, it could serve to improve rights clearance and legal certainty concerning the claim of copyright, thus enhancing the free flow of information. In a formality-based system, the law will provide more certainty to the exercise of rights. However, such a system would also impose great burdens on authors and copyright offices. In particular, the question of how a registration system would work in a world with countless authors should be carefully deliberated, particularly for frequent authors.24 Whether to impose formalities in copyright law or not is indeed a dilemma. This article maintains that it is not technically feasible to reinstate a workable copyright registration system, which should be user friendly and international interoperable. In addition, a registration system cannot provide a full solution to the orphan works problem, as this solution is meant to help prevent new works from becoming orphan works in the future.25 For the existing numerous orphan works, a registration system is useless. Because of all these considerations, it is better to find an alternative solution to the orphan works problem while maintaining the no-formality principle of copyright’s enjoyments and exercises.

III. MAJOR APPROACHES FOR SOLVING THE ORPHAN WORKS PROBLEM

While it is comparatively easy to define the problem of orphan works and illuminate its roots, a solution will be difficult. Three categories of solutions have emerged. The first one can be classified as a business model relying on market forces, which is the Google Book Search Settlement approach. The second category is a governmental model relying on public ordering, which is represented by the current Canadian copyright law. The third category is a combined approach that includes both market elements and public elements in solving the orphan works problem. The U.S. legislative proposals and the EU approach can be classified as combined approaches. However, in the U.S. proposals, reliance on market

23 See Stef van Gompel, Formalities in Copyright Law: An Analysis of their History, Rationales and Possible Future 296 (2011) (noting that “it should consist of one simple formality that is universally applicable”).


forces is dominant, while the EU approach relies more heavily on public ordering.

A. The Google Book Settlement Approach and Its Controversies

The Google Book Search case is indeed unprecedented, and has provoked heated debate around the world. Google began digitizing books in 2002. On December 14, 2004, Google launched its Library Project’s Book Search, which allowed users to search its database of books. Users could view snippets of copyrighted books and the full text of public domain books. On September 20, 2005, the Authors Guild filed a class action lawsuit in the Southern District of New York against Google. It argued that Google’s Library Project involved massive copyright infringement because it created digital copies of copyrighted works. In response, Google temporarily suspended scanning copyrighted works to allow for changes to its Print Publisher Program and to allow copyright owners to submit lists of books they wished to be excluded. On October 19, 2005, the Association of American Publishers filed another lawsuit against Google for copyright infringement, seeking injunctive relief. Google responded that its use was a fair use because it was only showing “snippets” of books when they did not have permission from a rights holder.26 In the spring of 2006, the parties began negotiations to settle the lawsuit. In October 2008, the parties to this class action lawsuit proposed a Settlement Agreement, which called for Google to pay out $125 million. The Settlement Agreements have extended the Google Book Search project beyond an indexing and search tool into a business model for digital books, meaning that Google could sell digital books. On November 9, 2009, the parties filed an Amended Settlement Agreement (“ASA”) after the Department of Justice filed a brief suggesting that the initial agreement may violate the U.S. anti-trust laws.

The drafted settlement agreements gave rise to a variety of concerns. One major concern was the treatment of orphan works in the Google Book Search Project. The orphan book issue was indeed one of the most problematic parts of the settlement since many of the books included in the Google digital library were “orphan works.”27 The amended agreement planned to create an independent “Unclaimed Works Fiduciary” to

26 For the background of this case, see Authors Guild v. Google Inc., 770 F. Supp. 2d 666, 670 (S.D.N.Y. 2011).

represent interests with respect to, and assume responsibility for, certain
decisions pertaining to unclaimed works, including pricing, book classifica-
tion and holding payments due to orphan works.28 "Unclaimed work" was a term used in the Google Book Search Settlement. Most unclaimed works are orphan works. However, they cannot be equated because there are unclaimed or unregistered non-orphan works with a reachable, but in-
active copyright holder. The Registry would use funds from the Settle-
ment, as well as unclaimed funds and public domain funds, to attempt to
locate copyright holders of unclaimed books and inserts.29

Licenses for exploiting orphan works are automatically waived by
such an agreement. Orphan works are included in the scope of the Google
Book project by default. Another major feature of the Google settle-
ment's treatment of orphan works was that it tried to escape the diligent
search issue. Google didn’t impose a diligent search requirement on itself
before scanning books into its database. The Google Book Settlement ac-
tually foresaw an extended collective license of orphan books by the Book
Right Registry. Such a “collective-ish” approach to rights management
was both unfamiliar and threatening to copyright holders in the U.S. and
many other countries.30 The settlement also looked like a statutory excep-
tion for Google to digitize orphan works. As noted by Professor Samuel-
son, it can be viewed as a “Quasi-Legislative Settlement.”31

Such an arrangement with quasi-legislative characteristics was re-
jected by the court. There were two main reasons. First, the court be-
lieved: “the establishment of a mechanism for exploiting unclaimed books
is a matter more suited for Congress than this Court.”32 In the court’s
view, the questions of who should be entrusted with guardianship over
orphan books, under what terms, and with what safeguards were matters
more appropriately decided by Congress than through an agreement
among private, self-interested parties.33 Second, the fact that the
Amended Settlement Agreement (“ASA”) would have given Google a de
facto monopoly over unclaimed works also raised some concerns.34 The

28 Amended Settlement Agreement of the Authors Guild, Inc., Association of
American Publishers, Inc., et al., v. Google Inc. § 6.2(b)(iii) (United States
District Court for the Southern District of New York, Case No. 05 CV 8136-
DC) [hereinafter Amended Settlement Agreement].
29 Id. § 6.2 (b)(iv).
30 See Lois F. Wasoff, If Mass Digitization Is the Problem, Is Legislation the Solu-
tion? Some Practical Considerations Related to Copyright, 34 COLUM. J.L. &
ARTS 731,735 (2011).
31 Pamela Samuelson, The Google Book Settlement as Copyright Reform, 2011
32 Authors Guild, 770 F. Supp. 2d at 677.
33 Id. at 677.
34 Id. at 682.
U.S. Department of Justice (DOJ) noted that the seller of an incomplete database — i.e., one that does not include the millions of orphan works — cannot compete effectively with the seller of a comprehensive product.\(^{35}\) Google has a dominant position in the marketplace and its ability to deny competitors the ability to search orphan books would further entrench its market power in the online search market.\(^{36}\) Thus, the Court concluded that the ASA would arguably give Google control over the search market.\(^{37}\) Because of these controversial issues on orphan works along with others, the settlement was ultimately rejected by the Court on March 22, 2011.

The private nature of the settlement agreement left open the question of whether Google and its partners were acting too much in their own self-interest.\(^{38}\) The solution envisioned by major market players, especially one with dominant positions in the market, would inevitably benefit themselves to the utmost and overlook the interests of other subjects. A legislative solution to the orphan works problem is the most suitable. This would not only benefit major companies, but also public libraries, archives, museums, and, ultimately, the public at large.\(^{39}\) Currently, there are several models of legislative approaches to the orphan works problem.

**B. The Canadian Model and Its Deficiencies**

The Canadian Copyright Act has created a type of public body intervention license scheme when the copyright owner cannot be located. According to article 77 of the Canadian Copyright Act, the Copyright Board of Canada may grant non-exclusive licenses authorizing the use of published works, fixations of performers’ performances, published sound recordings or fixations of a communication signal, if the copyright owners cannot be located, and the Board is satisfied that the applicant has made reasonable efforts to locate the owner of the copyright.\(^{40}\) In order to demonstrate such reasonable efforts, as a matter of practice, the Copyright Board will ask the applicant to indicate precisely all the steps it undertook to locate the copyright owner and requires the applicant to file all the


\(^{36}\) Authors Guild, 770 F. Supp. 2d at 683.

\(^{37}\) Id. at 682.


\(^{39}\) De la Durantaye, *supra* note 1, at 291.

documents evidencing such efforts, as well as an affidavit to this effect. After such reasonable efforts are demonstrated, the Copyright Board will grant a license to use the concerned orphan work. The Copyright Board must also act reasonably in setting the terms and conditions of such a license. A study funded by the Copyright Board of Canada shows that the most difficult issues have been the terms of price and payment. As for the copyright owner, he or she is entitled to collect royalties within a deadline of five years from the expiration of a license, or, in default of his or her payment, commence an action to recover them in a court of competent jurisdiction.

The Canadian approach on orphan works has been followed by several countries, including Japan, whose copyright regime has a similar provision on orphan work compulsory licenses. In Japan, a public body is empowered to issue a license of an orphan work. Article 67 of the Japanese Copyright Law authorizes the Commissioner of the Agency for Cultural Affairs to issue a compulsory license for the exploitation of a work that has been made publicly available if, after due diligence has been exercised, the copyright owner cannot be found because he is unknown, or for other reasons. Copies of the work reproduced under such compulsory license shall bear an indication to the effect that the reproduction of these copies has been licensed in accordance with the article 67(1) and give the date when the license was issued. Compensation with the amount fixed by the Commissioner as corresponding to an ordinary rate of royalty is deposited on behalf of the copyright owner.

Section 190 of the U.K. Copyright, Designs and Patents Act 1988 gives the Copyright Tribunal the power to give consent on behalf of performers in certain cases. The Tribunal may, on the application of a person wishing to make a copy of a recording of a performance, give consent in a case where the identity or whereabouts of the person entitled to the reproduction right cannot be ascertained by reasonable inquiry. The U.K. applies the public body/intervened license scheme only to limited situations concerning the reproduction right of a recording of a performance, and

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43 Canadian Copyright Act, supra note 40, sec. 77.
45 Copyright, Designs and Patents Act 1988, c. 48, § 190, para. 1 (Eng.).
thus implements such a license scheme in a very limited way, leaving the general problem of orphan works unresolved.

In the Chinese Copyright Law Amendment Draft of 2012, China also plans to implement a similar compulsory license scheme. According to article 25 of the first Amendment Draft released in March 2012, if an author cannot be found after a diligent search or the identity of an author is not clear and the owner of the original work cannot be found after diligent searches, a user can apply to the National Copyright Administration of China (NCAC) to use the work after depositing the usage fees.46 In the second Amendment Draft released in July 2012, a slight modification was made. A body designated by the NCAC, instead of the NCAC itself, would be in charge of verifying the diligent search, managing the escrow account for usage fees and issuing the licenses.47 The Chinese Copyright Law Amendment Draft also authorizes the NCAC to prescribe in detail the provisions concerning orphan works.48 According to Chinese practice, a body designated by the NCAC will most probably be a subsidiary body of the NCAC, such as the Copyright Protection Center of China, which currently provides copyright registration and other copyright administrative services in China.

A governmental license scheme has certain deficiencies. First, it will impose extensive administrative burdens. As one commentator notes, it would require a budget and expertise beyond that possessed by the Copyright Office.49 If the governmental body could keep the licensing fee if the rightholder did not reappear, such administrative burdens could be mitigated, but that is not a proper role for government to assume. In Canada, fees go to the relevant copyright collective society if the copyright owner does not surface to collect them within five years. Allowing collectives to confiscate royalties after the expiration of the five-year period is controversial, and has been the subject of specific complaints to the Copyright Board of Canada.50 The unclaimed royalties shall be used in a proper way for public purposes. Transparency and fairness need to be ensured for public acceptance of any arrangements on allocating the unclaimed royal-

46 [First] Amendment Draft of the Chinese Copyright Law art. 25, Released by the National Copyright Administration of the People’s Republic of China (Mar. 2012).
47 Second Amendment Draft of the Chinese Copyright Law art. 26, Released by the National Copyright Administration of the People’s Republic of China (July 2012). Please note that the provisions of the Amendment Draft may go through iteration or revision in the later legislative procedure.
48 Id. art. 26.
50 De Beer & Bouchard, supra note 42, at 236-37.
ties. Secondly, national government licenses would be complex for large-scale digitization projects. As the Canadian model shows, work-by-work or title-by-title searches are cumbersome, time consuming (two months on average), and yield a few licenses per year only. Since this system’s creation in 1990, there were only 266 approved uses of orphan works. Under the Japanese law, eighty-two licenses have been granted since 1970. Although under such a system, a user will have sufficient legal certainty as the use is granted by a governmental body, a work-by-work clearance process is not conducive to large-scale digitization projects. It is not surprising that, in the U.S., many commenters, including orphan works users, opposed granting the Copyright Office administrative authority in this manner.

C. The U.S. Legislative Proposals on Orphan Works and Its Key Issues

In 2006, a draft bill was proposed by the U.S. Copyright Office with a short title “The Orphan Works Act of 2006.” According to the bill, a user would have been allowed to use an orphan work without authorization as long as the threshold requirement of a reasonably diligent search to find a copyright owner was met. The Act would have limited the remedies in a civil action brought for infringement of the copyright in an orphan work if the infringer performed and documented a prior reasonably diligent search in good faith to locate the copyright owner. The Orphan Works Act of 2006 was withdrawn during the 109th Congress, but new bills were introduced into both the House and the Senate in April 2008. The Orphan Works Acts of 2008 includes similar provisions as its 2006 precursor, with some notable additions. The House of Representatives version of the 2008 Orphan Works Act included a requirement that a user of an orphan work file a “notice of use” with the Register of Copyrights. This “notice of use”
mechanism was absent from the Senate version. Both the House and the Senate versions of the 2008 Acts required that a user of an orphan work include with the use a symbol or other notice of the use of the infringing work in a manner prescribed by the Register of Copyrights.\(^{58}\) Lastly, both versions of the 2008 Act proposed the creation of a database of pictorial, graphic, and sculptural works in order to facilitate a user’s search for works of these categories.\(^{59}\)

The major library associations were strong supporters of orphan works legislation.\(^{60}\) However, many authors, especially photographers and other visual artists, remained strongly opposed to these acts. They believed that each orphan works bill permitted, and even encouraged, wide-scale infringements while depriving creators of protections available under current copyright laws.\(^{61}\) The Senate bill passed on September 26, 2008, by unanimous consent, but did not pass in the House before the term of the 110th Congress ended. Consequently, no orphan works legislation has been enacted in the U.S. The U.S. Copyright Office is currently reviewing the problem of orphan works especially in the context of mass digitization,\(^{62}\) and finding a fair solution to the orphan works problem continues to be “a major goal of the U.S. Congress and a top priority for the Copyright Office.”\(^{63}\)

Both the House and Senate versions of the 2008 Orphan Works Act relied on market forces, especially the Senate version. The Senate version didn’t create any governmental involvement in the exploitation of orphan works. Under its proposal, no administrative agency, collective manage-

\(^{58}\) *See id. sec. 2(b)(1)(A)(iv); see also Shawn Bentley Orphan Works Act of 2008, supra note 55, sec. 2(b)(1)(A)(iii).*

\(^{59}\) *See Orphan Works Act of 2008, supra note 55, sec. 3; see also Shawn Bentley Orphan Works Act of 2008, supra note 55, sec. 3.*


\(^{63}\) *Id.*
ment society, or other registry would have to be established and no royalties would have to be paid and administered. The House of Representatives version by contrast included a requirement of filing a “notice of use” with the Register of Copyrights. This would have involved the Register of Copyrights in the exploitation of orphan works. However, it also created a statutory exemption of license for a user to use the orphan work.

The key element of the U.S. proposals was the diligent search requirement. The effect of the search was different from the Canadian model. In the U.S., proof of a reasonably diligent search would have been required in order to benefit from the limitation on remedies, should a lawsuit arise, while in Canada, this documentation would be a requirement for obtaining an orphan works license. In any case, the diligent search requirement could not be a complete solution to the orphan works problem. This requirement only solves the issue of determining the orphan work status. A proper license scheme and remuneration mechanism shall also be carefully deliberated in order to fully solve the problem. And, for the diligent requirement to function ideally and smoothly, a one-stop-shop search database of copyright information should be established. Such a database could ultimately solve the high-search-cost problem now faced by many intended users.

Another major problem of the U.S. bill drafts was that they allowed good-faith users to use an orphan work without a license if they could not find the copyright holder of the orphan work after a reasonably diligent search. An escrow account into which each user must pay prior to engaging in the use of orphan works was rejected by the Copyright Office, as was the creation of a user registry. Such a scheme favors users and would cause detrimental effects to the interest of copyright holders, and certainly will face tremendous resistance from certain authors and publishers. A wise solution should accommodate and seek to balance the different interests of users and copyright holders.

D. The EU Directive on Orphan Works and Its Limited Scope

Unlike the U.S.’s market-driven approach to the digital library project, the European practice instead relies heavily on public ordering. Emphasizing the concept of “cultural heritage” and with the aim of

64 See de la Durantaye, supra note 1, at 287.
preservation of culture, the European Commission created a public-initiated library, *Europeana*, an ambitious project, which covers not only books but other textual works, such as newspapers, letters, diaries and archival papers, as well as images, sounds, and videos. The question, of what role government should play in regulating the project and, more generally, regulating cultural heritage, has led to different models for the digitization of works. In order to facilitate searches for copyright holders, the EU seeks to establish Europe-wide databases containing information on rights holders and the copyright and commercial status of print materials. The most notable database is the ARROW (Accessible Registries of Rights Information and Orphan Works). Creation of national databases, rights clearance centers, and nationally funded digital libraries are all public, governmental-run initiatives. Thus, the envisioned solutions in the U.S. and the EU reflect their legal traditions and society norms more generally: belief in market forces on one side, preference for public ordering on the other side.

While the EU relied heavily on public ordering to develop digital libraries and build the copyright information databases, for the legislation on orphan work licenses, the EU did not adopt the Canadian Model, which empowered a public body to issue licenses. In 2006, the European Commission made a Recommendation on the digitization and online accessibility of cultural content and digital preservation, but only a handful of EU Member States have implemented orphan works legislation. In France, any person may apply before the first instance courts for appropriate measures if there is no known successor in title and no heir or spouse entitled to inherit the rights of exploitation by the deceased author. In the U.K., as noted above, a provision that is very limited in scope allows the Copyright Tribunal to grant certain licenses in performances where the identity or whereabouts of the rights holder cannot be ascertained by rea-

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68 De la Durantaye, supra note 1, at 233.


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reasonable inquiry.\textsuperscript{72} In Hungary, licenses to use orphan works can be obtained from the Hungarian Patent Office, which also checks that a diligent search for the owner has been carried out.\textsuperscript{73} In the Nordic countries (i.e., Denmark, Finland, Sweden, Norway, and Iceland), the problem of orphan works is avoided by extending the mandate of collecting societies to represent rightholders that have not joined the collecting society.\textsuperscript{74}

In order to push forward national legislation on orphan works and facilitate their uses, the European Commission forwarded a proposal in 2011 for a Directive of the European Parliament and of the Council, which envisions a uniform requirement of diligent search, mutual recognition of the search result and orphan status.\textsuperscript{75} The text of the proposed directive went through several revisions. Finally, on October 25, 2012, Directive 2012/28/EU of the European Parliament and of the Council on certain permitted uses of orphan works was adopted.\textsuperscript{76} EU Member States are required to bring into force their laws, regulations, and administrative provisions necessary to comply with this Directive by October 29, 2014.\textsuperscript{77}

The EU Orphan Works Directive imposes a prior diligent search requirement for users and requires all Member States to mutually recognize the orphan work status as far as a work is considered an orphan work in a Member State.\textsuperscript{78} Both the U.S. legislative proposals and the EU Directive have designed a diligent-search requirement. A diligent-search requirement has become a key element in any legal system concerning orphan works, and this requirement can be advanced to become an international rule.

In the very beginning of drafting the Directive proposal, the Commission did not adopt a generic approach to deal with the problem of orphan works, but proposed a set of measures designed for specific situations in relation to mass digitization projects. The Directive was conceived with a

\textsuperscript{72} Copyright, Designs and Patents Act 1988, ch. 48, sec. 190, para. 1.
\textsuperscript{73} Act No. LXXVI of 1999 on Copyright art. 57/A (Hung.).
\textsuperscript{74} For a description of EU member states' legislation on orphan works, see European Commission, Commission Staff Working Paper, \textit{supra} note 6, n.42.
\textsuperscript{77} \textit{Id}. art. 9.
\textsuperscript{78} \textit{Id}. art. 4.
limited scope.79 The final Directive concerns only certain uses made of orphan works by publicly-accessible libraries, educational establishments, and museums, as well as by archives, film or audio heritage institutions, and public-service broadcasting organizations, established in the Member States, in order to achieve aims related to their public-interest missions. Accordingly, the beneficiaries of this Directive are very limited, raising fairness issues with respect to other persons and organizations. Under the international law perspective, this could also cause a national treatment issue, as national treatment is an international obligation explicitly prescribed under the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPs Agreement). Under article 3 of TRIPs, each WTO Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property.80 It is explained in the footnote of articles 3 and 4, for the purposes of these two articles, that “protection” shall include matters affecting the availability, acquisition, scope, maintenance, and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in the TRIPs Agreement. A regulation on the use of orphan works must also comply with the international obligation of national treatment.

For the categories of uses, the Commission originally intended to distinguish between non-compensatory permitted uses (article 6) and authorized uses (article 7) of orphan works.81 The first draft of the Directive proposal included a provision on authorized uses of orphan works, which permitted Member States to authorize specific organizations to use an orphan work for purposes other than their public-interest missions under several strict conditions.82 Article 7 on authorized uses was removed from the later drafts and the final official Directive. The removal of article 7 in the final Directive further restricted the scope of the Commission’s proposal, which was already severely limited in scope.


80 The Agreement on Trade-Related Aspects of Intellectual Property Rights art. 3.


The limited focused scope of the EU Orphan Works Directive promotes the preservation and dissemination of European cultural heritage. However, it is obviously not a full solution to the orphan works problem. A full solution should address the authorized uses of orphan works by other persons or entities for purposes other than public interest missions. For the authorized uses of orphan works, it is imperative to answer the following questions: who has the right to authorize or license use of orphan works? Who may collect fees from such use? And, how to distribute and/or implement such funds? All these questions are untouched by the EU Orphan Works Directive.

A license scheme for authorized uses that do not fall within the scope of public interest missions seems to be the most difficult issue. The U.S. proposals simply exempted the license requirement, whereas the EU Directive only concerns a statutory exception for certain permitted uses, leaving other authorized uses and their licensing issues unresolved. For a full solution to the orphan works problem, the license issue cannot be avoided. A proper license arrangement should be designed with the aim of protecting right holders on one side, and facilitating the exploitation of orphan works on the other side.

IV. SUGGESTIONS FOR INTERNATIONAL LEGISLATIVE RESPONSE TO THE ORPHAN WORKS PROBLEM

A. A Need for International Response to the Orphan Works Problem

This article argues for the need to adopt a legislative solution since there is a market failure in the exploitation and protection of orphan works. Since copyright protection is mutually recognized under international treaties and the increasing scale of cross-border use of orphan works has strengthened the need for such international protection, international harmonization of the law concerning orphan works is desperately needed.

The increasing scale of cross-border use of orphan works is the direct cause for a need for an international response. The orphan works problem is directly linked with the development of digital libraries or online libraries. The Internet is global in nature, and the use of a work online can cause extraterritorial issues of copyright protection. Thus, a domestic solution cannot be truly effective in the Internet era. As the controversies surrounding the Google Book Search settlement have shown, the orphan works problem is truly a global problem that requires an international solution.

The orphan works problem is deeply rooted in the Berne Convention's no-formality requirement, and under the Berne Convention, copy-
right protection is essentially global, thus, only an international solution can solve the problem caused by the Berne Convention. Without an international solution to the orphan works problem, divergent regulations on orphan works risk fragmentation of the legal rules governing the online access to orphan works.\textsuperscript{85} Regulatory fragmentation would lead to legal uncertainty for determining the status of orphan works and further using them. Various alternatives exist to deal with the issue of orphan works, but these domestic mechanisms may not be compatible with one another.\textsuperscript{86} The same work can be considered an orphan work in one jurisdiction, but not in others, while copyright protection is universal.

For the reasons explained above, a transnational solution to the orphan works problem should be a high priority. A transnational solution can either be revolutionary or conservative. One revolutionary option is to reintroduce a registration requirement, thus eliminating the orphan works problem at the very beginning. Such a copyright registry system would have to be centralized to allow a more efficient way to search. Since copyright protection is mutually recognized by members of the Berne Conventions, and international transactions in cultural products have increased in volume, an international copyright registration system could be established. Bernard Lang proposed to institute a single worldwide international books database, and believed that it is now technologically feasible and would essentially solve problems, for all countries, with minimal changes to existing legislation.\textsuperscript{87}

This suggestion depends on an effective registration system. As noted above, however, copyright registration would impose substantial costs on authors and copyright offices. Thus, it is not likely to be reintroduced in the near future. Therefore, this author prefers a conservative approach that adjusts the rules for the exploitation of orphan works within the current copyright law. Conservatively, the international community can first adopt a common approach to determine orphan work status and establish common minimum standards for exploiting orphan works. This would also contribute significantly to the cross-border use of orphan works.

The design of a legal system for orphan works involves balancing different interests. On the one hand, the legislation should protect legitimate users against possible liability for copyright infringement after complying with the required conditions to use orphan works. On the other hand, the

\textsuperscript{85} See European Commission, Commission Staff Working Paper, \textit{supra} note 6, \S 5.1.1.


adequate protection of copyright holders should be ensured. Both the diligent search requirement and remuneration mechanism should be designed to ensure sufficient protection of copyright holders. Another special point that needs to be kept in mind is that a satisfactory solution should be workable for large-scale digitization projects and the international use of orphan works.

B. A Lower Level Requirement of Reasonable Diligent Search and Its Mutual Recognition

Since the determination of orphan work status depends on a diligent search, the reasonable diligent search rule becomes a key element of any legal system of orphan works. It is not surprising that all legislative approaches surveyed by this article introduced similar diligent-search requirements. A person or entity interested in using an orphan work would only be allowed to do so after having conducted and documented a reasonably diligent search. Lack of such a requirement would significantly injure the interests of copyright holders, and would not be accepted by the general public and judges as demonstrated by the Google book settlement case. The criterion to determine the reasonable diligent search is vital to the successful operation of such a system. The key to designing a diligent search rule is its reasonableness.

The cost of a diligent search imposed on a user needs to be kept in mind when designing a diligent search rule. Ultimately and ideally, with the development of a rights clearance network such as the launched EU project ARROW (Accessible Registries of Rights Information and Orphan Works), a one-stop-shop to conduct a diligent search will emerge, substantially reducing the cost of a diligent search. However, currently, the cost of a diligent search is not going to be cheap. The cost of labor, postage, and long distance telephone calls entailed in determining copyright status and identifying, locating, and negotiating with copyright owners is not trivial. In a study conducted by Carnegie Mellon University Libraries in 2003 seeking permission to digitize and provide Web access to 278 fine and rare books, the transaction cost was $78 per title for which permission was granted. An estimate of high-search costs is also supported by the fact that the current systems in Canada and Japan have not been extensively used.

The high cost of diligent search is one important element that contributes to that low utilization rate. One logical result of high search costs is that many users would simply forgo using orphan works and never start

89 Letter from Denise Troll Covey, supra note 4, at 3.
the search in the first place. If a reasonable, but lower level of search were 
required, more searches would be foreseeable. More authors would actu-
ally be discovered and perhaps allowed to benefit. In this sense, lower 
required search costs are also a better arrangement for authors.90 Since 
high search costs cause the users to refrain from searching altogether and 
thus from use, which benefits no one, this article advocates for a low level 
of required search. In order to mitigate the possible adverse effect of a 
low level search requirement, other institutions such as reverse registra-
tion of intended use and prior payment to a legally designated trustee 
should be designed to ensure the protection of copyright holders.

Generally, the cost of search should be lower than what is currently 
imposed in some countries. In order to achieve fairness, different levels of 
search requirements can be implemented. A large scale commercial use 
by a large corporation could require a comparatively higher level of 
search. This requirement should not be excessively stringent. Otherwise, 
it would not be practical for large-scale digitization projects. For non-
profit or lower-profit activities conducted by a specific entity for public-
interest missions such as a library, a comparatively lower level search re-
quirement could be imposed. The Duke Center for the Study of the Pub-
lic Domain has proposed that the required level of search should vary in a 
few broad classes based on type of use and extent of use.91 However, it 
would be difficult for legislation to provide for exactly such different levels 
of search requirements. The copyright administrators are expected to pro-
mulgate detailed rules concerning differentiated, but reasonable search re-
quirements. Best practices and customary rules for reasonable diligent 
searches are also likely to evolve over time through collaborative efforts 
and judicial interpretation.92

What constitutes a reasonable search effort is very difficult to define 
by legislation. A rule requiring a reasonable search effort would inevita-
ably result in a lack of clarity and allow great discretion to judges in case of 
disputes. “Some risk would remain because the user would have to do 

enough of a search to show a court that they had conducted a reasonable 
search in good faith. It is always possible that a court would not agree, 
which is what sometimes happens when defendants claim fair use.”93 In 
order to solve the reasonable efforts dilemma, this author proposes “a re-
verse registration and public notice system” to complement a reasonable

90 See Duke Center for the Study of the Public Domain, supra note 2, at 4.
91 Id. at 7.
92 Brian T. Yeh, “Orphan Works” in Copyright Law, in COPYRIGHT AND 
93 Jerry Brito & Bridget Dooling, An Orphan Works Affirmative Defense to Cop-
right Infringement Actions, 12 Mich. Telecomm. & Tech. L. Rev. 75, 109 
(2005).
search requirement. Third party certification of diligent search is not workable since it would significantly increase the user’s costs. A “reverse registration and public notice system” could be a better idea as discussed in detail below, since a user could put the evidence and result of a diligent search under public supervision. If there is no objection to the reasonableness of such a search after a period of time, for example three months, such a search would be deemed prime facie reasonable.

Another point related to the theme of an international solution is a harmonized approach concerning the diligent search standards. Establishing common principles and criteria for conducting diligent search can pave the way for mutual recognition of orphan work status. Orphan work status should be mutually recognized, or even better, globally recognized. Mutual recognition of orphan status is a key feature of the EU Orphan Works Directive.94 Reasonable diligence searches internationally involve significant complicating factors, such as language barriers and diverse legal systems.95 All these factors would probably impose an unreasonable burden on the exploiter. Costly duplicate searches should be avoided. A system of mutual recognition would avoid the need to carry out multiple diligent searches for the copyright holder. In order to ensure the free movement and worldwide dissemination of knowledge, mutual recognition of orphan work status should be incorporated into the envisioned international regime on orphan works.

C. A Reverse Register Serves as Public Notice of Reasonable Search

The Berne Convention forbids any formality including a registration requirement for the enjoyment and exercise of copyright, but it does not forbid a reverse registration system for using copyrighted orphan works. If the rights holder cannot be located after a reasonable diligent search, a prospective user could register the use on an authoritative, free, and easy-to-use searchable database. This reverse registration system could serve two purposes, a public notice of the reasonable search result, and a way to acquire implied license as discussed in the next section.

In order to ensure legal certainty, copyright holders should receive reasonable notice. A reverse registry could function as a public notice of a reasonable search. After the users conduct a relatively low-cost search, they could register and record their use in a publicly-accessible database. If the rights holder does not come forth and assert his or her rights after a reasonable period of time, for example three months, the work would be

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94 See EU Orphan Works Directive, supra note 76, art. 4.
automatically classified as an orphan work. This could offset the adverse effect of a lower search requirement.

In addition, reverse registration can serve as a declaration of intent to use. After such a declaration, if the rights holder does not appear and assert his or her rights after a longer period of time, for example six months, the copyright in the orphan work could be deemed to be impliedly licensed by the missing author, and the prospective user could use the work.

An online, searchable, open database where it is easy for a user to submit reverse registration should also be easy for rights holders to search for uses of their works. In the database, orphan works would be prominently labeled as such and could quickly be “reclaimed” by the legitimate rights holder. Rights holders should check this database from time to time if they care about their rights and economic interest in their works.

Although a reverse registration system would increase the cost and complexity of the orphan works system, this cost and complexity is minimal and acceptable. By requiring public certification, it would curb possible abuses of the lower-level reasonable diligent search. The U.S. Copyright Office maintained that a user registration system would be premature because it believed a user registry would prove burdensome for those using numerous orphan works, and because a textual database would not assist users without some sort of unique identifier for each work, which would be difficult to administer. The burdens and costs of using numerous orphan works can be mitigated by the income and profit of using such works. A textual database may not be easy for searching and identifying untitled photographs and other visual works, but technological developments will help to solve the search problem for these non-textual works. For the time being, a link to the use of copyrighted work could be required so as to help rights holders monitor the use of their works. The existence of such a registration database could at least provide rights holders an equal opportunity to search the potential use of their works.

D. Implied License Based on Public Notice

In the case of an orphan work, who shall be eligible to issue a license? Since direct licenses by copyright holders are not possible in the special case of orphan works, there are several notable options. One is a statutory exception or exemption allowing the non-commercial use of orphan works. Because libraries believe that they should not have to conduct a
diligent search and also incur the additional cost of copyright licensing.\textsuperscript{97} There have been calls for a statutory exception for libraries that would provide online access to orphan works. The statutory exception is the preferred option of the library and archive community, while publishers, collecting societies and other copyright holders prefer some variation of a licensing scheme.\textsuperscript{98} Even if adopted, a statutory exception could only have a limited application for certain specific public-interest uses as demonstrated by the EU Orphan Works Directive.

The second option is to designate a workable government body to issue licenses to use orphan works. This option is provided for by the current Canadian copyright law. Under such scheme, a search is also certified by the public authority. This option would trigger expensive administrative costs and would be inefficient in practice as demonstrated by the experiences in Canada and Japan. The third option is licensing by a collecting society for copyright management. For example, there is a strong lobby in France taking the position that a private organization or organizations should be entrusted with some form of guardianship over orphan works with the power to grant licenses and collect fees.\textsuperscript{99} According to that French lobby, these guardian organizations should naturally be Copyright Management Organizations.\textsuperscript{100} Since copyright holders of orphan works can not be identified or located, a voluntary collective license scheme is not helpful in solving this unique problem.

A method that deserves particular consideration is the extended collective license system. A system of extended collective licensing is characterized by the combination of a voluntary transfer of rights from rights holders to a collecting society with a legal extension of the repertoire of the society to encompass those rights holders who are not members of the society.\textsuperscript{101} Extended collective licensing is as effective as compulsory licenses, but at the same time allows rights holders to control the use of their works.\textsuperscript{102} As noted, the extended collective license system is applied in various sectors in the Nordic countries, Denmark, Finland, Norway, Sweden, and Iceland. These countries have a longstanding tradition of

\textsuperscript{97} See European Commission, Commission Staff Working Paper, \textit{ supra} note 6, \S 5.2.3.

\textsuperscript{98} See \textit{id.}, Annex 1.

\textsuperscript{99} Bernard Lang, \textit{ supra} note 87, at 121.

\textsuperscript{100} \textit{Id.} at 122.


\textsuperscript{102} Thomas Riis & Jens Schovsbo, \textit{Extended Collective Licenses and the Nordic Experience – It’s a Hybrid but Is It a Volvo or a Lemon?}, 33 \textit{COLUM. J.L. & ARTS} 471, 472 (2010).
collective management, which has resulted in a well-developed structure and culture for the activities of Collective Management Organizations. Thus, the functioning and legitimacy of the extended collective license model in a context other than the Nordic countries may well be dependent on the existence of a well-developed structure and culture of collective management. Any proposals to adopt the extended collective license system internationally should therefore be based on careful studies of broader social and cultural circumstances. The successful operation of such a system internationally fully depends on the existence of representative collecting management organizations in relevant fields in various countries, which is not the current case.

The orphan status can be mutually recognized, but such recognition for licenses is difficult. A national governmental license to exploit an orphan work cannot have extraterritorial effect since it is a governmental act under national sovereignty. Such domestic licenses would reinforce the fragmentation of the legal system regarding orphan works. A license issued by a collecting society is also a domestic one, since there is no international copyright collecting society. A user would need to obtain multiple licenses in different countries in order to display digital copies of an orphan work internationally via the Internet. This complexity would have detrimental repercussions on the free movement of information worldwide.

In order to overcome this deficiency, with the objectives of increasing access to orphan works, achieving administrative simplicity, and reducing transaction costs for the use of orphan works, this author advocates an implied license mechanism. A public registry containing a list of orphan works identified after diligent searches could naturally serve as public notice for acquiring implied license.

Implied license can be found when a copyright holder engages in conduct from which a user may properly infer that the holder consents to his use. Consent to use a copyrighted work giving rise to implied license need not be manifested verbally, and may be inferred based on silence when a copyright holder “knows of the use and encourages it.”

The contractual concept of “encourage” is a subjective element that is difficult to determine. Dr. Fischman Afori suggested introducing the implied license doctrine into copyright law as a metaphor, viewing it as a non-contractual concept and as a doctrine not concerned with the parties’

104 Riis & Schovsbo, supra note 102, at 497.
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intent, thus imposing objective interpretation aimed at furthering policy considerations, fitting the evolutionary process of copyright law.\textsuperscript{106} “Encourage the use” is a heightened standard and an element difficult to determine. “Consent to use” should not be upgraded to the level of encouragement. Under this article’s proposal, a special scheme of implied license shall be established by orphan works legislation. After a period of public notice of the intended use, the rights holder is presumed to know the intended use, and by the silence, it can be inferred that the rights holder consents to the use.

After a copyright is declared as impliedly licensed, the user will be immune from a suit for copyright infringement if subsequently contacted by a copyright holder. However, from the date the rights holder reappears, the user shall stop its use and try to get an express license from the rights holder. An exception can be imposed for derivative works. It is unfair for a reappearing right holder to have the power to stop the use of a derivative work. A user of a derivative work should be permitted to continue its use subject to a reasonable royalty.

\textbf{E. Remuneration Mechanism}

Implied license does not mean free use. The remuneration mechanism is a feature deemed essential to safeguard rights holders’ property interests. The diligent search and redress for reappearing rights holders are two key factors that must be incorporated into any system of utilizing orphan works. Only a very narrow exception to remuneration should be considered to ensure the use of orphan works is for purely public interest purposes.

The remuneration mechanism is necessary to complement the lower-cost search requirement envisioned by this article. Failure to find an owner after a minimally-reasonable search should not allow a user to use the work without paying upfront. Otherwise, any logical user would prefer to pay nothing now when the only risk if caught is later payment of that same amount. The rule should not create an incentive to fail to search for a copyright owner.

The remuneration mechanism is designed to provide redress for reappearing rights holders. Any remuneration that may be collected for rights holders of orphan works under a license should be kept in an escrow account, established and run by the same body as the operator of the reverse registration database.

The legislation can provide for a time period, such as five years, during which the royalties paid into the account must remain until the orphan

work’s owner reappears. If the owner becomes known during this period, he will be entitled to receive the remuneration. Otherwise, there are several choices. The first option is for this fee to be held in escrow until the end of use or expiration of copyright, and then returned if not claimed by the copyright owner.\textsuperscript{107} The second option is represented by the Google book search settlement proposal. Under the revised settlement, the funds would be held for a total of ten years.\textsuperscript{108} At the end of that term, any unclaimed funds would be allocated proportionally to the U.S., Canada, the U.K., and Australia, based, respectively, on the number of books registered with the U.S. Copyright Office (for the U.S.) and the number of books published in Canada, the U.K., and Australia. Such funds are scheduled to be distributed to literacy-based charities in each such country that directly or indirectly benefit the rights holders and the reading public.\textsuperscript{109} This author suggests the unclaimed remunerations to be used for purposes such as maintaining a publicly-accessible database of copyright information, or constructing a public digital library.

A potential problem with such a remuneration mechanism is that it would be costly to determine the amount to be paid. The value of intellectual property is not easy to calculate. For the purpose of this mechanism’s functionality, a user could firstly unilaterally submit a proposed licensing fee corresponding to an ordinary rate of royalty, and the managing body shall monitor proposed fees in order to avoid artificially low fees. If there is no objection from the managing body after a period of time, this fee will be set. A prior set fee will also prevent “submarine orphan works.” One possible problem under the orphan works system is that, the rights holder may wait until after the user invested significant resources on the orphan work and a valuable market has developed, and then claim a higher licensing fee if the user wants to continue using it. In order to secure the interest of the user, the suddenly reappeared copyright holder could not retrospectively charge a license fee higher than the prior set fee. Another potential problem is that the chance of copyright holders resurfacing to claim the funds deposited in an escrow account is low, which suggests that escrow funds would rarely be distributed. The U.S. Copyright Office rejected the inclusion of an escrow account in its legislative proposals mainly because of this reason.\textsuperscript{110} However, it is a necessary mechanism to prevent abuse of the orphan works system and to safeguard the interest of copyright holders. Even if the funds would rarely be distributed, they can

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{107} Darrin Keith Henning, \textit{Copyright's Deus Ex Machina: Reverse Registration as Economic Fostering of Orphan Works}, 55 J. COPYRIGHT SOC’Y 201, 208 (2008).
\item \textsuperscript{108} Amended Settlement Agreement, \textit{supra} note 28, § 6.3(a)(i)(3).
\item \textsuperscript{109} \textit{Id.} § 6.3(a)(i)(3).
\item \textsuperscript{110} U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS, \textit{supra} note 53, at 114.
\end{itemize}
\end{footnotesize}
be used for other legitimate public interest purposes, such as running a registration database or building a public digital library.

V. CONCLUSION

A scheme for orphan works is an exception or special arrangement to copyright. Any copyright exception or special arrangement should conform to the three-step test of copyright exceptions as prescribed in the Berne Convention, the TRIPs Agreement and the WIPO Copyright Treaty. The three criteria imposed by the test are that: (1) the exception or limitation is restricted to a special case; (2) it does not conflict with a normal exploitation of the work; and (3) it does not unreasonably prejudice the legitimate interests of the author.  \(^{111}\)

The minimum diligent search requirement plus reverse registration, implied license and a remuneration mechanism as a solution to the orphan works problem is restricted to a special case of orphan works. This limitation is clearly defined and narrowly limited in its scope and application.  \(^{112}\) And, with the safeguard of diligent search, public notice and prior deposited remuneration, it will not conflict with normal exploitation of the work; actually, for truly orphan works, there is no normal exploitation of the work. Regarding the third step of the test, it is widely held that some form of proportionality enquiry should be posed.  \(^{113}\) As proposed by several European scholars, this test should also be interpreted in a manner that respects the legitimate interests of third parties, including public interests.  \(^{114}\) If a right holder cannot be identified or located after a reasonable diligent search, the overall public interest in the use of the work should be given greater consideration than the merely hypothetical interest of the right holder.  \(^{115}\) With the remuneration mechanism, it would bring any

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111 See TRIPs Agreement art 13; Berne Convention art. 9; WIPO Copyright Treaty 1996, art. 10. The test’s third condition refers to the “legitimate interests of the author” under the Berne Convention and the WIPO Copyright Treaty. However, under the TRIPs Agreement, it refers to “the legitimate interests of the right holder.”

112 For the first step, according to which limitations must be confined to “certain special cases,” an authoritative interpretation by a WTO Panel is that, a limitation must be clearly defined and should be narrow in scope and application. WTO Panel Report, United States – Section 110(5) of the U.S. Copyright Act, WT/DS160/R (June 15, 2000), ¶¶ 6.108-6.109.


115 Hilty et al., supra note 80, at 10.
perceived or hypothetical prejudice back to an acceptable level, and would not unreasonably prejudice the legitimate interests of the author.

Such a scheme would not violate international copyright treaties, and it can work under the current international copyright system. In order to overcome the legal obstacles for trans-boundary exploitation of orphan works via the Internet, a common set of diligent search criteria and an explicit exception for reverse registration for using orphan works should become an international rule. Since the reasonable-diligent search rule has already evolved to become a very key element of any legal system of orphan works, a reasonably diligent search requirement and mutual recognition of the search result could be written into the international copyright treaty as a compulsory obligation for its members. A reverse registration with its additional function as public notice of a reasonable search and the acquiring of an implied license could be written into the international treaty as optional obligations. Optional obligations exist in international treaties mainly because negotiators have inconsistent views on the proposed rule. A typical example is the best mode of disclosure requirement for patent applications in article 29 of the TRIPs Agreement.116 A reverse registration and its further function as a public notice of a reasonable search and the acquiring of an implied license can be prescribed as optional obligations in the international treaty, leaving discretion for its members to choose it or not. A legal system of orphan works can only be made internationally interoperable through international harmonization. The international treaties on copyright should be revised or a special agreement on orphan works should be drafted in order to address the challenges posed by digital technologies in the Internet era.

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