

Law versus technology: looking for a solution to the orphan works' problem

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Abstract

The aim of this article is to analyse the different regulatory and practical solutions proposed both in US and EU scenarios to overcome the orphan works' issue. Orphan works pose a problem because users, who are legally obliged to obtain prior authorization for making works available to the public, are unable to locate and contact the relevant rightsholders. The size of the problem, in terms of the number of works considered orphans or the value of those works, even if difficult to state with precision, is known to be significant.

Keywords: intellectual property; copyright; orphan works; digitization; rights clearance.

1. Introduction: the orphan works' issue

Orphan works exist because, over time, ownership of the copyright in a work becomes difficult to trace. In line with a series of bills presented between 2006 and 2008, the most commonly used US definition of the term orphan work is based on an owner-location approach.¹ According to the US

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¹ Orphan Works Act of 2006, HR 5439, 109th Congress (2006); Orphan Works Act of 2008, HR 5889, 110th Congress (2008); Shawn Bentley Orphan Works Act of 2008, S 2913, 110th Congress (2008). Nevertheless, none of these acts was ultimately enacted.

Copyright Office, orphan works is a term used to describe the situation where the owner of a copyrighted work cannot be identified and located by someone who wishes to make use of the work in a manner that requires the permission of the copyright owner.² In the same way, on the European side, for the Copyright Subgroup of the High Level Expert Group on European Digital Libraries and the subsequent European proposal for a Directive on certain permitted uses of orphan works, a work is considered orphan with respect to rightsholders whose permission is required to use it and who can either not be identified or located based on diligent search on the basis of due diligence guidelines.³

According to international copyright principles, making a work available to the public requires prior authorization from the rightsholder. Thus, orphan works pose a problem because users, who are legally obliged to obtain prior authorization for making works available to the public, are unable to locate and contact the relevant rightsholders. As highlighted in several studies, concerns have been raised that in such a situation, a productive and beneficial use of the work is forestalled not because the copyright owner has asserted his exclusive rights in the work, or because the user and owner cannot agree on the terms of a licence, but merely because the user cannot locate the owner.⁴

When the copyright owner cannot be identified and located, potential users face uncertainty as it cannot be determined whether or under what conditions the owner would permit use. And if the proposed use does not fall in any exemption or limitation to copyright, there is no much choice left. Precisely, there are two alternatives: users can decide either to use the work and risk being sued for copyright infringement—including, in the USA, statutory damages (damages for copyright infringement could begin at \$100,000 per title)—or to forego the use of the work in question. Presented with such a choice, many users, especially the ones who have limited resources or are particularly risk-averse decide to abandon their projects.⁵ And this even in cases where the risk of liability for copyright

² US Copyright Office, 'Report on Orphan Works' (2006). On the definitional questions see David Hansen, *Orphan Works: Definitional Issues* (Berkeley Digital Library Copyright Project White Paper, 1/2011, 2011) <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974614>.

³ High Level Expert Group (i2010 Digital Libraries) – Copyright Subgroup, 'Final Report on Digital Preservation, Orphan Works, and Out-of-Print Works' (cm 2008).

⁴ US Copyright Office (n 2) para II.A.

⁵ The problem of orphan works does not occur where the consent of right owners is not required, for instance because the act of reproduction or communication is covered by an exception or limitation. This is the case of the Art 5(2)(c) Council Directive 2001/29/EC of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, which provides for an exception in favour of archives or publicly accessible libraries, educational institutions or museums, to make specific acts of reproduction for non-commercial purposes. However, as underlined by the Commission, 'Impact Assessment on the Cross-Border Online Access to Orphan Works' (2011) para 2.2:

scanning for preservation purposes is generally permissible under current copyright exceptions. However, these exceptions do not currently allow libraries to make the digitized works available online on the Internet, even for non commercial purposes. The act of making these works available online beyond the library premises is not possible without the risk of incurring liability for infringing

infringement is remote. The potential for infringement is more acute in cases of mass-digitization projects given their large scale.⁶ As a result, hundreds of thousands of books are not accessible to readers even if the author may well have been fine with digitization or is not locatable because he no longer exists.⁷

The size of the problem, in terms of the number of works considered orphans or the value of those works, even if difficult to state with precision, is known to be significant. Depending on the type of collection considered, these estimates range in number from hundreds of thousands to millions of orphans. Recent studies suggest that orphan works form a significant part of any digitization project, showing high percentages of orphan works for almost all categories of works, especially among photographs, and audiovisual materials.⁸ Foreign works are more likely to be orphaned than US works, and older works are more likely to be orphaned than newer.

copyright. This means that the collections of EU libraries, archives, museums and educational establishments which contain orphan works are cannot be made available to the public.

⁶ Giancarlo Frosio, 'Google Books Rejected: Taking the Orphans to the Digital Public Library of Alexandria' (2011) 28 *Santa Clara Computer & High Tech LJ* 81, 88:

the exact dimensions of the orphan works problem can only be conveyed in relation to the digitization projects. The unfulfilled potential of digitization projects accentuates the cultural predicament of orphan works in terms of the lost opportunities and value extracted from the public domain.

⁷ Marybeth Peters, 'The "Orphan Works" Problem and Proposed Legislation' (2008) statement before the Subcommittee on Courts, the Internet and Intellectual Property, Committee on the Judiciary, US House of Representatives 110th Congress:

the most striking aspect of orphan works is that the frustrations are pervasive in a way that many copyright problems are not. When a copyright owner cannot be identified or is unlocatable, potential users abandon important, productive projects, many of which would be beneficial to the national heritage.

⁸ Anna Vuopala, 'Assessment of the Orphan Works Issue and Costs for Rights Clearance' (Cm 2010): a conservative estimate of the number of orphan books as a percentage of in-copyright books across Europe puts the number at 3 million orphan books (13 per cent of the total number of in-copyright books); when handling requests for using older film material, film archives from across Europe categorized after a search for rightsholders 129,000 film works as orphan which could therefore not be used: works that can be presumed to be orphan without actually searching for the rightsholders augments the figure to approximately 225,000 film works; a digitization project in the UK found that 95 per cent of newspapers from before 1912 are orphan and a survey amongst museums in the UK found that the rights holders of 17 million photographs (that is 90 per cent of the total collections of photographs of the museums) could not be traced. According to John Wilkin, 'Bibliographic Indeterminacy and the Scale of Problems and Opportunities of "Rights" in Digital Collection Building' (2011) <<http://www.clir.org/pubs/ruminations/01wilkin/wilkin.html>>, more than half of the works in research library collections are likely to be orphan works, with the remaining portion split between works in the public domain and non-orphaned copyrighted works. See also Commission (n 5) para 2.2.1:

In 2001 it was estimated that the total number of books and bound periodicals (volumes) in the libraries of the EU-25 exceeded 2.5 billion. The most common and conservative estimate that European studies have put forward is that 5-10% of works included in library collections of print MEDIA are orphan. In some archives and libraries the figure rises to 50%. Some studies from the USA show that approximately 20% of books are orphan. Photographs are faced with a particular problem of poor crediting, which increases the likelihood of orphan works. Some estimates suggest that as many as 90% of photographs contained in collections might be orphan works. In the case of unpublished photographs, some reports indicate that the rightsholders are identified only for a tiny fraction (1%). In the audio-visual field, a recent survey by the Association des Cinémathèques Européennes estimates that 12% of the films contained in the 24 film archives that responded to the survey are orphan works. ... European public service broadcasters have estimated that their

The orphan works problem can be considered a by-product of the modernity given that it has become prominent in the last few decades. Three main factors have had a significant impact. First, technological innovation, and, in particular, the rapid progress in digital technologies has made it easier for a work or part of a work to become separated from ownership or permissions information. Secondly, specific business practices have favoured the use and publication of works without any reference in terms of authorship or copyright ownership. In addition, some changes and revisions of specific features of copyright law have added complexity to the issue. In the USA, in the last decades, the formalities for copyright protection were modified (precisely, the registration requirement and the notice requirement). On 1 January 1978, the Copyright Act of 1976 entered into force changing several basic features of the system of copyright protection in the USA. First, the registration requirement present in US copyright law since the first Copyright Act of 1790 was abolished. Therefore, the copyright registry, which once provided an exhaustive list of works protected under copyright law with information on copyright ownership, is no longer comprehensive. Secondly, even the terms of copyright protection have been modified. Prior to the 1976 Act, the term of copyright was split into two periods of years: an initial 28-year term, followed by an additional 28-year renewal term. The necessary condition to secure protection for the renewal term was the registration of a renewal with the Copyright Office during the last year of the first term. Failure to renew properly resulted in complete loss of copyright. Empirical analysis show that only about 15 per cent of all registered works were renewed before 1978 and only 7 per cent of copyrights for books were renewed:⁹ as a result most works fell into the public domain after the initial copyright term, and ownership information at the Copyright Office was never older than 28 years. The 1976 Act, however, in an effort to align US copyright law with international copyright conventions, replaced the bifurcated system providing, instead, a single term for the life of the author, plus an additional 50 years. In the 1990s, both USA and countries in Europe extended copyright protection to a term of the life of the author plus 70 years, increasing, as a result, the number of protected older works, a significant number of which have lost their commercial value and have owners who are unlikely to be found. The consequence of the abolition of the renewal requirements has been that a user generally must assume that a

archives contain 28 million hours of archived material. . . . In the music sector, the extensive role of collective licensing means that the problem of orphan works is minimal.

A study conducted by the Collections Trust and the Strategic Content Alliance across the UK's public sector concluded that on average 5–10 per cent of a museum's or gallery's collection and 11–20 per cent of an archive's collection consisted of orphan works [Joint Information Systems Committee (JISC), 'In from the Cold: An Assessment of the Scope of "Orphan Works" and its Impact on the Delivery of Services to the Public' (2009), <<http://www.jisc.ac.uk/media/documents/publications/infromthecoldv1.pdf>>]. In total, the study found the responding organizations might well own more than 50 million orphan works.

⁹ Christopher Sprigman, 'Reform(aliz)ing Copyright' (2004) 57 *Stan L Rev* 485, 519.

work he wishes to use is subject to copyright protection, and often cannot confirm whether a work has fallen into the public domain by consulting the renewal registration records of the Copyright Office. Later on, in 1989, as a pre-condition for entering into the Berne Convention, the oldest and most widely accepted international agreement on the protection of literary and artistic works, the USA abolished the notice requirement (this notice provided potential licencees of copyrighted works with valuable information about the name of the copyright owner and the year of publication). The net result of these amendments has been that more and more copyright owners may go missing. In fact, if such revisions were enacted to protect authors from technical traps in the law and, as already specified, to ensure US compliance with international conventions, in any case it cannot be denied that they diminish the public record of copyright ownership and make it more difficult for the business of copyright to function. Therefore, actually, in both the US and European countries there is the absence of a central registry of ownership with all the related problem of traceability.

On the basis of these premises the orphan works' problem has been described as a structural market failure due to the high transaction costs in clearing rights, thus justifying the call for regulatory or legislative intervention to facilitate the use of these works.¹⁰ Rights clearing activities include the identification of the rightsholders on protected items, the verification of copyright and related rights status of the item and the copyright status for embedded works, the protection of unpublished items.¹¹ After this first step, rightsholders of protected items must be located and contacted in order to negotiate the extent and conditions for the use.¹² All these processes of identification, clarification, locations and negotiation involve transaction costs that can be very high and, therefore, a considerable obstacle in the sense of reducing the magnitude of orphan works. The final outcome recalls the tragedy of the anticommons, where a resource is prone to underuse

¹⁰ Stef van Gompel, 'Unlocking the Potential of Pre-Existing Content: How to Address the Issue of Orphan Works in Europe?' (2007) 6 IIC 669:

the issue of orphan works obviously presents a case of a structural market failure. If, after a reasonable search, one or more right owners of a work remain unknown or unlocatable, a prospective user has no opportunity to obtain a licence. Where the appropriate party or parties to negotiate a licence cannot be traced, there is simply no means to contract, thus resulting in a situation where no agreement can be reached on the intended use of the work. Accordingly, even though the size of the problem is as yet difficult to assess, there appears to be a valid justification for regulatory intervention to address the problem of orphan works

¹¹ Vuopala (n 8).

¹² US Copyright Office (n 2) para III.B, indicates the most common obstacles to successfully identifying and locating the copyright owner: (i) inadequate identifying information on a copy of the work itself; (ii) inadequate information about copyright ownership because of a change of ownership or a change in the circumstances of the owner; (iii) limitations of existing copyright ownership information sources; and (iv) difficulties researching copyright information.

because multiple owners each have a right to exclude others and no one has an effective privilege of use.¹³

After addressing the problem of orphan works, the aim of this article is to analyse the different regulatory solutions proposed both in US and EU scenarios to overcome the rights clearance issues.

2. US approach

On 5 January 2005, Senator Orrin Hatch, Chairman of the Subcommittee on Intellectual Property of the Senate Judiciary Committee, and Patrick Leahy, ranking member of the Subcommittee on Intellectual Property and the Senate Judiciary Committee, asked the Register of Copyrights to study the orphan works issue in detail, and to provide a report with its recommendations. As a result, a report on orphan works was presented suggesting an amendment to Chapter 5 of the Copyright Act regarding 'Copyright Infringement and Remedies' through the introduction of the section 514 labelled 'Limitations on Remedies: Orphan Works'.

After a previous analysis of the main aspects characterizing the orphan works' issue and a description of the most common obstacles to successfully identifying and locating the copyright owner, the first conclusion presented in the report is that the orphan works problem is real and elusive to quantify and describe comprehensively. As a further step the report discusses how some existing provisions of the current copyright law might address the orphan works situation in certain circumstances. If it is true that in US copyright law there are few provisions that permit certain users to make some uses of specific classes of orphan works, and other provisions that reduce the risk in using an orphan work, nevertheless, situations still exist where copyright law does not provide users in the orphan works situation with clear guidance on whether and how they should use such works, and, therefore, does not minimize the uncertainty over the use of those orphan works. The result of this comprehensive analysis is just the need of a legislative reform meant to create not a general exemption or limitation, but a limitation on the remedies that might be imposed in particular circumstances with respect to a particular user.

The proposed amendment rests on three main pillars: the threshold requirement of a reasonably diligent search for the copyright owner; the threshold requirement of attribution, throughout the use of the work, to the author and copyright owner, of the work if such attribution is possible and as is reasonably appropriate under the circumstances¹⁴; and the

¹³ Michael Heller, 'The Tragedy of the Anticommons: Property in the Transition from Marx to Markets' (1998) 111 Harv L Rev 621.

¹⁴ The idea is that the user, in the course of using a work for which he has not received explicit permission, should make it as clear as possible to the public that the work is the product of another author, and that the copyright in the work is owned by another.

limitation of remedies that would be available if the user proves that he conducted a reasonably diligent search. In other words, if the user has performed a reasonably diligent search to locate the copyright owner but with no positive results, then that user should enjoy a benefit of limitations on the remedies that a copyright owner could ask and obtain if he shows up at a later date and sues for infringement. Precisely, the diligent search must be completed before the use of the work that constitutes infringement begins, and the user should bear the burden of proving what search was performed and whether it was reasonable. Nevertheless, in cases in which the owner is located, the orphan works provision becomes inapplicable even in case in which the owner, asked for permission, gives no response.¹⁵ And because it requires users to find copyright owners and depends on whether they have been reasonably diligent in doing so, the reasonably diligent approach does not impose any formalities on authors and copyright owners that could condition in any way the enjoyment and exercise of copyright protection.

The proposal specifies several factors relevant to proof the reasonableness of a search: the amount of identifying information on the copy of the work itself, such as an author's name, copyright notice or title; the age of the work, or the dates on which it was created and made available to the public; whether the work had been made available to the public; whether information about the work can be found in publicly available records, such as the Copyright Office records or other resources; the role played by technological innovations such as speed Internet access, e-mail, efficient, easy-to-use search engines; whether the author is still alive, or the corporate copyright owner still exists, and whether a record of any transfer of the copyright exists and is available to the user; the nature and extent of the use, such as whether the use is commercial or non-commercial, and how prominently the work figures into the activity of the user. But apart from explaining these general factors, the proposal does not define a checklist of actions that would constitute a reasonable search, but instead adopts a very general standard to be applied on a case-by-case basis. Several commenters—among others Google—suggested a less flexible but more certain solution (so-called formal approach), under which, there is a pre-set list of required searches, and once the user performs those searches without success, the work is deemed orphaned. Given the existence of wide differences in the works and in the uses identified as being potentially subject to the orphan works issues (photographs, old magazine advertisement, out-of-print novel, antique postcard, obsolete computer programs) as well as of different and changing resources, techniques and technologies used to investigate the status of a work for different industry sectors, the Office preferred the

¹⁵ An owner might ignore a permission request for many legitimate reasons: an individual author might not have the resources to respond to every request; a large corporate owner might receive thousands of such requests and it would be unduly burdensome to respond to all of them; the request may be outlandish, in that it seeks to use a valuable work for no payment or in a way clearly at odds with the manner in which the owner is exploiting the work.

flexibility of the case-by-case approach renouncing at the exercise of any regulatory authority. The result of the absence of any formal process for establishing criteria for reasonable searches is that participants in the various sectors are allowed to freely develop their own voluntary guidelines, even if these guidelines, not embodied in more binding regulations, cannot be considered definitive or dispositive. In other words, in case of litigation over a specific use, a court might analyse the various sets of guidelines, and in determining whether the particular search was reasonable, opine on the quality or lack thereof of one or more guidelines.

The advocates for a formal approach also discussed the role that registries would play in an orphan works system and proposed both voluntary and mandatory registries. Among the proposals: a mandatory registry for owner information (this would constitute the sole search criteria in a formal regime); voluntary registries of owner information that could be consulted by users in performing their reasonable searches; user registries in which a user would file a notice that he intends to use a work for which he cannot locate an owner. However, both the kind of registries has been considered problematic. Owner registries in terms of efficiency: requiring every owner to register would impose a very large social cost, but only a tiny fraction of the works registered will ever be used; user registries for the fact that requiring every owner to register would impose a very large social cost, when only a tiny fraction of the works registered will ever be used. In the final proposal, these registries have not been included: a system in which users simply conduct a reasonable search and then commence use, without formality was considered the most efficient way to proceed.

In any case, what is clear is that however defined, the diligent reasonable search is fundamental to invoke the limitation on both remedies and monetary compensation. If a user manages to demonstrate that he performed a reasonably diligent search and provided reasonable attribution to the author and copyright owner, then, in the infringement action, monetary relief would be limited to only reasonable compensation for the use, with an elimination of any monetary relief where the use was non-commercial and the user ceases the infringement expeditiously upon notice. Specifically, reasonable compensation is defined as the amount the user would have paid to the owner had they engaged in negotiations before the infringing use commenced. Again, what is suggested is a general standard of reasonable compensation: a reasonable compensation would equal what a reasonable willing buyer and reasonable willing seller in the positions of the owner and user would have agreed to at the time the use commenced, based predominantly by reference to evidence of comparable marketplace transactions. The burden is on the copyright owner to demonstrate that his work had fair market value by presenting evidence that he or similarly situated copyright owners have actually licensed similar uses for such amount. Moreover, the proposal limits the ability of the copyright owner to obtain full injunctive relief in two ways. If the user has transformed the orphan work into a

derivative work—like a motion picture or book—he is allowed under the proposal, to continue to exploit that derivative work. In all other cases, a full injunction will still be available but the court should minimize the harm to the users that an injunction might impose, to protect their interests in relying on the orphan works provision in making use of the work.

Following the report, in May 2006, US Representative Lamar S. Smith introduced the so-called HR 5439, following most of the Copyright Office's proposals. The bill had not been addressed when the term of the 109th Congress ended. In April 2008, both US Senate and House of Representatives have introduced orphan works legislation: the Shawn Bentley Orphan Works Act, also known as S 2913, and the Orphan Works Act, also known as HR 5889. Both these acts were rooted in the same language based on the previous Smith bill. To qualify for the protection under these bills, creators had to follow a precise procedure: they had to perform and document their good faith search for the copyright owner and be able to show that they could not locate any owner; file a Notice of Use with the Copyright Office before using the orphan work; provide attribution about the original copyright owner, if they could find this information. Finally, a special orphan works symbol that would have been determined later by the Register of Copyrights had to be included. Once met all of these prerequisites, the creator could use the work in question with confidence, knowing that if the copyright holder would emerge later, he could only claim reasonable compensation. The bills also entrusted the Copyright Office with the task to certify databases that could aid in the search for pictorial, graphic and sculptural works, which are subject to copyright protection making sure that private databases met proper criteria and that they were able to do visual searches.

The House and the Senate never agreed on a final version of the bill: the bill passed in Senate on 26 September 2008 by unanimous consent, but did not pass in the House of Representatives before the term of the 110th Congress ended. By the beginning of the 111th Congress, bank bailout bills and other financial legislation became primary, and the orphan works legislation was delayed, and eventually died in the House. Actually, no orphan works legislation has been enacted in the USA.

3. The Google Book Search project

Sergey Brin and Larry Page, founders of Google, had a clear vision: to digitize every book ever written anywhere in the world and make them available online. In pursuit of that mission, Google formed agreements with some publishers for the right to digitize their books. However, Google realized that it could not reach agreements with the owner of every book's copyright in part because there were too many rightsholders and in part because many books' authors and publishers were long dead or out of business. Faced with

the impossibility of reaching agreements with every rightsholder, Google, instead, went to libraries around the world and started scanning books straight from the stacks. After testing non-destructive scanning techniques, fixing tricky technical issues, and having exploratory talks with libraries and publishers, Google announced Google Print at the Frankfurt Book Fair in October 2004 and, in December 2004, the Google Print Library Project began. Through this Library Project, some of the world's most prestigious libraries have offered to help Google: Harvard, Princeton, Stanford, Columbia, Oxford, the New York Public Library, the Library of Congress and more than a dozen other libraries in America, Spain, Japan and around the world.

By the end of 2005, the same year that Google changed the name of its project to Google Books, the Authors' Guild filed a class action lawsuit against Google alleging copyright infringement. Shortly thereafter, the Association of American Publishers, a group of publishers including McGraw-Hill, Pearson, Penguin, Simon & Schuster and John Wiley, also filed suit against Google. The court consolidated the two lawsuits. The authors and publishers alleged wilful copyright infringement in connection with Google's systematic reproduction, without permission, of millions of copyrighted books, in their entirety. Google accomplished this through scanning operations set up in large research libraries, such as those of the universities of Michigan, Stanford and Harvard. Once scanned, the books were indexed electronically, allowing users of Google to search by title and other bibliographic information and to view snippets (several lines of copyrighted text). While Google's search engine was free to users, Google collected substantial revenue from the advertising that appeared on its web pages, including those on which images of, and information from, copyrighted books appear. In its defence, Google argued that its actions were covered under the fair use doctrine.¹⁶ Google claimed a case of market failure, a situation in which it would have been impossible to create licensing agreements with all rightsholders in question and argued that scanning the books was only a necessary step in the process of turning books into pointers, of creating search indexes of these books and the terms they contained. Only the indexes would be made available to users, whereas the complete copy of the work that was created when compiling the index would only be stored on Google's servers. Finally, Google pointed to the enormous social benefits that its service would have provided to readers across the world, especially with respect to orphan works which, through Google's

¹⁶For an analysis of Google's fair use claim, see; Jonathan Band, 'The Long and Winding Road to the Google Books Settlement' (2009) 9 J Marshall Rev Intell Prop L 227; Douglas Lichtman, 'Copyright as Information Policy: Google Book Search from a Law and Economics Perspective', in Josh Lerner and Scott Stern (eds), *Innovation Policy and the Economy* (University of Chicago Press 2009) 55; Matthew Sag, 'The Google Book Settlement and the Fair Use Counterfactual' (2010) 55 NYL Sch L Rev 19. See also Frank Müller Langer and Marc Scheufen, 'Just Google It! The Google Book Search Settlement: A Law and Economics Analysis' (2011) Max Planck Institute for Intellectual Property and Competition Law Research Paper 6.

services, anybody with an Internet connection could read and use (for the first time).

Ultimately, however, the case has not yet gone to trial: after three years of negotiations, on 28 October 2008, the parties announced that they had reached a settlement (the Proposed Settlement Agreement). This was a complex document of hundreds of pages, including numerous appendices, which went far beyond the alleged acts of infringement and created extensive new business models for Google. It applied to huge numbers of authors and books. Specifically, for books first or simultaneously published in the USA, it applied only to those that had been registered with the US Copyright Office. However, for all other books, it applied to all those published anywhere before 5 January 2009. To be excluded from the agreement, authors and copyright owners had to opt out of the settlement agreement on a title-by-title basis by early May 2009. The last day to effectively opt out of the settlement was fixed for 8 September 2009; the court hearing was scheduled for 7 October 2009. There was much opposition to the Google agreement: more than 400 objections, *amicus curiae* briefs and statements had been filed with the court. Their authors ranged from possible competitors of Google to authors' and publishers' groups, from human rights, privacy and general public interest organizations to Attorneys General of various states in the USA as well as foreign countries such as France and Germany; the last official filing, presented on 18 September 2009, was the Statement of Interest of the Antitrust Division of the Department of Justice.

The parties to the lawsuit have since gone back to their drawing boards and have, on 13 November 2009, submitted a new and narrower settlement proposal [the Amended Settlement Agreement (ASA)] designed to appease, first and foremost, the Department of Justice's objections and concerns. The court granted preliminary approval of this amended settlement on 19 November 2009, and set a new deadline (28 January 2010) by which to file additional objections. Among the changes introduced there were limitations on the settlement's scope as well as changes to the Book Rights Registry. Under the revised settlement, books that were not published in the USA, Canada, UK or Australia (before 5 January 2009) were covered only if they were registered in the USA. The changes to the Book Rights Registry were designed to accommodate the interests of orphan works' rights owners as well as rights owners of works that are out of print. These changes regarded the institutional make-up of the Book Rights Registry, the rights that the Registry could grant and the administration of the funds it held on behalf of orphan works owners. Under the first settlement agreement, the Book Rights Registry would only have consisted of (known) authors and publishers; under the revised settlement, the Registry would have an independent fiduciary to oversee unclaimed works. The fiduciary may licence the use of books to possible competitors of Google 'to the extent permitted by law'. Under the original settlement, funds for unclaimed works would have been held for five years; then they would have been distributed to members

of the Book Rights Registry, that is, rightsholders of books other than the ones for which the royalties were paid. Under the revised settlement, the funds would have been on hold for a total of 10 years and, then, they would have been donated to charity. A third change provided for the Book Rights Registry to compile a database of unclaimed works. Another provision served to eliminate the most-favoured-nation provision that would have given Google optimal licence terms in the future. Despite these changes, several concerns were again presented: these related to the adequacy of the notice of the settlement to the class, the adequacy of the class representatives, the use of the class action mechanism to enable Google to provide full-text display services not at issue in the litigation, the consistency of the settlement with copyright principles, the monopoly the settlement would give Google over unclaimed books the privacy of readers and the consistency of the settlement with international law.

On 18 February 2010, Judge Chin conducted a fairness hearing (the issue was whether the revised agreement was fair, adequate and reasonable to the class on whose behalf it was negotiated) and, finally, more than 13 months later, on 23 March 2011 he rejected the ASA stressing the validity of many of the objections presented, particularly those relating to the settlement enabling Google to provide full-text displays and Google's resulting market power. In Judge Chin's words the amended settlement went 'simply... too far': not only did it resolve possible liability issues for past acts by Google but, more, it would have put in place an extensive forward-looking business arrangement. In the Court's view, Congress was the better forum for establishing the new regime set forth in the settlement agreement: 'the questions of who should be entrusted with guardianship over orphan books, under what terms, and with what safeguards are matters more appropriately decided by Congress than through an agreement among private, self-interested parties'. In conclusion, Judge Chin indicated that the Court might be willing to approve a narrower settlement that only allowed full-text displays of works whose rightsholders had opted-in to the settlement. At this point the parties were left with several options: (i) they could abandon negotiations and litigate the original issue; (ii) they could submit a revised (presumably opt-in) settlement; (iii) they could appeal Judge Chin's rejection; or iv) the plaintiffs could abandon the suit.¹⁷

3.1 – *Copyright concerns*

Among the legal issues raised by the settlement, the more prominent ones are those that some authors called the big three: class action, copyright and antitrust.¹⁸

¹⁷ *Authors Guild et al v Google, Inc*, no 05-8136 (SDNY 22 March 2011).

¹⁸ James Grimmelmann, 'The Elephantine Google Books Settlement' (2011) 58 J Copyright Society USA 497.

The issue of orphan works is a crucial point of the settlement. The settlement itself barely used the term orphan work at all, but rather addressed the broader issue of market availability (allowing uses of works that are not commercially available).¹⁹ The 2009 ASA used the words ‘commercially available’ to mean:

with respect to a Book, that the Rightsholder of such Book, or such Rightsholder’s designated agent, was, at the time in question, offering the Book (other than as derived from a Library Scan) for sale new, from sellers anywhere in the world, through one or more then-customary channels of trade.²⁰

Books that are orphans would be included in this definition, but so would books simply difficult to purchase. The settlement agreement provided access to both types of works in a common way, by granting Google what was in effect a compulsory licence to use these works in a variety of commercial and non-commercial ways. In return, Google would have paid a portion of any revenues generated from these uses.²¹ Contracting with the copyright owner of every book published since 1923 involves unimaginable transaction costs, even restricting the pool to owners who can still be found and putting aside orphan works for the moment. Unlike a Coasian world, the default position will matter due to these high transaction costs. Moreover, contracting with orphan works’ rightsholders is literally impossible because, by definition, the rightsholders cannot be located. The author may have died in 1950 without heirs, the publisher may have gone out of business or burned to the ground in 1940, or a string of publisher acquisitions in the 1930s may have resulted in muddled records.

In facing these problems, because obtaining permission to scan the books would have been prohibitive such as determining whether permission was needed, Google’s solution was to reverse the traditional copyright management rule by setting up an opt-out mechanism. This was exactly the genius of the settlement: the way in which it surmounted the consent requirement associated with many uses of a copyrighted work being organized as an opt-out settlement. Because it bounded all authors—known and unknown—Google could proceed to scan orphan works without having to worry. Obviously active authors or publishers could not be forced to be in the settlement and always had the possibility to opt out and conclude separate contracts, but if an unknown rightsholder later surfaced and did not want his book to be used, he could no longer sue Google. He could opt out of the programme and claim a cheque for the revenues associated with his

¹⁹ The only apparent use of the term ‘orphan works’ is in reference to Google’s ability to take advantage of those works should orphan works legislation be enacted.

²⁰ The term ‘book’ is narrowly defined to exclude items such as periodicals, personal papers, works with substantial musical notation and works published outside of Canada, UK, Australia or USA.

²¹ Pamela Samuelson, ‘The Google Books Search Settlement as Copyright Reform’ (2011) *Wisc L Rev* 479, 513.

book, but no more. Some welcomed this solution to the problem, but others, including the Department of Justice, as already stressed, pointed out to the court that it would effectively have given Google a monopoly over orphan works. Because the settlement would only have applied to Google, if another party like Amazon or the Internet Archive had wanted to create its own digital library that included orphan works, it would have not received the same protection. And it would not have been easy for others to get the same deal. Short of Congressional action, the only way a company like Amazon would have received similar treatment would have been to settle a class action suit of its own, a very difficult and time-consuming set of events to replicate. Additionally, because the authors and publishers who negotiated the Google deal were obtaining a cut of revenue, some have suggested that it would have been in their interest to make sure Google remained a monopoly and would therefore not settle as easily with other parties.

However, this potential monopoly was only half of the problem: the settlement's opt-out provisions created concerns in terms of copyright law. Section 201(e) of the Copyright Act provides that no effect shall be given to an 'action by any governmental body... purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright'. Therefore, the question was whether the Registry or the Fiduciary would have been expropriating copyright interests belonging to authors who had not voluntarily transferred them. The court stated that 'a copyright owner's right to exclude others from using his property is fundamental and beyond dispute. Thus, the court found it 'incongruous with the purpose of copyright law to place the onus on copyright owners to come forward to protect their rights when Google copied their works without first seeking their permission'.²² Moreover, Judge Chin noted that there was no obvious reason to think that orphan rightsholders would have had a different perspective on the settlement in comparison with the non-orphan rightsholders. That would suggest that rather than treat all orphan holders as accepting the settlement, as the opt-out class action does, they should have been treated as rejecting the settlement in precisely the same fraction that the settlement was rejected by active holders.

What next? Does the Google Book Search deserve to be pronounced dead and buried? This would mean the loss of its many positive features. Above all, it could provide millions of people with access to millions of books. If the price were moderate, the benefit would be extraordinary, and the result would give new life to old books, which rarely get consulted from their present locations on the remote shelves or distant storage facilities of research libraries. Google also committed itself to furnish its service free of charge on at least one terminal in all public libraries, to adapt the digitized texts to the needs of the visually impaired, and to make its data available for large-scale, quantitative research of the non-consumptive kind. Therefore, the crucial

²² *Authors Guild et al v Google, Inc* (n 17).

point is to find a way to preserve the positive aspects of Google Book Search avoiding the drawbacks that made Google's enterprise flawed from the beginning: in order to design a world-wide digital library, broad competing uses of the orphan works should be enabled while, to the greatest extent possible, respecting the rights of the authors and the existing legal framework (for instance, copyright and privacy rules). Taking all this into account, several parties are suggesting the need of a non-commercial option: the creation of a digital public library, the Digital Public Library of America. That is, a collection of works in all formats that would make a country's cultural heritage available online and free of charge to everyone everywhere. The reasoning is simple: if there are physical libraries financed through general tax and free to the public, why should the same not apply to online digital libraries?

4. EU perspective

The topic currently recalls great attention on the international plane. Following Google's digital library project, the European Commission recognized the urgency of a legal initiative on orphan works, stemming from the fact that Google, by virtue of the proposed settlement, does not require prior permission for the making available of text-based orphan works: 'if this were to happen, Europe would struggle to fill in the emerging knowledge gap'.²³

In 2005, the European Commission launched the 'i2010 digital libraries' initiative aimed to make Europe's cultural heritage available online through the creation of a pan-European digital library and archive, notably Europeana. In 2006, the Commission adopted a recommendation on 'the digitisation and online accessibility of cultural content and digital preservation', encouraging the Member States to create mechanisms to facilitate the online use of orphan works and to promote the availability of lists of known orphan works. In 2006, a High Level Expert Group on Digital Libraries was established bringing together stakeholders concerned with digitization and online accessibility of cultural material, including orphan works: the Group adopted a 'Final Report on Digital Preservation, Orphan Works and Out-of-Print Works' and a 'Memorandum of Understanding on Diligent Search Guidelines for Orphan Works' was signed by representatives of

²³ Commission (n 5) para 2.1:

Statistically, Europe is already lagging behind in the creation of text based digital libraries: whereas Google has already digitised 10 million books, up from the figure of 7 million that was widely quoted in 2009, by contrast there are presently approximately 2 million digitised books in EU libraries and cultural institutions. Of these, only around 13% are available through Europeana. This situation, coupled with the fact that Member States have again underlined the need for rapid progress to address the orphan works issue, has spawned the need for the EU to adopt rules on the prior authorisation for the online access to orphan books and illustrations or photographs embedded in those books. The immediate need is thus to address simplified authorisations for books and embedded pictures.

libraries, archives and rightsholders.²⁴ In 2008, the Commission's Green Paper on 'Copyright in the Knowledge Economy' sought the views of stakeholders on, *inter alia*, the necessity of further action in relation to orphan works: in the following year, the Commission adopted the Communication on 'Copyright in the Knowledge Economy' in which it announced that it would carry out an impact assessment on how to deal with orphan works. Recently, on 24 May 2011, the Commission adopted the Communication on 'A Single Market for Intellectual Property Rights Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe', presenting the overall strategic vision for delivering the true Single Market for intellectual property that is currently lacking in Europe, including the creation of a comprehensive framework for copyright in the digital market. In this scenario, the preservation and dissemination of Europe's cultural and intellectual heritage received a specific attention: encouraging the creation of European digital libraries is viewed as the key for the development of the knowledge economy.

The Commission stated to proceed by way of a two-pronged approach to promote the digitization and availability of the collections of European cultural institutions (libraries, museums and archives): one strand is the promotion of collective licensing schemes for works still protected by copyright but no longer commercially available (works that are out-of-commerce); the other is an European legislative framework to identify and make available orphan works. The completion of these two initiatives is aimed also to boost the development of Europeana as an online platform through which citizens can access Europe's cultural heritage. On this basis, the Commission launched the follow-up proposal for a Directive on certain permitted uses of orphan works.²⁵

The impact assessment accompanying the document analysed six options: (i) do nothing; (ii) a statutory exception to the copyright, allowing the non-commercial online access to orphan works across Europe by libraries, educational establishments, museums and archives; (iii) an extended collective online licensing, which assumes that a collecting society is given a mandate to represent the interests of all rightsholders of a certain category (eg authors, performers, producers, composers, etc) even if they are not formally registered with that society, and that, once a collecting society authorizes a library to make books available on a website, this licence, by virtue of a statutory extension, will cover all works in that category, including orphan works; (iv) an orphan-specific licence granted by collecting societies, allowing for the online access to orphan works by libraries, educational establishments, museums and archives; (v) an orphan-specific licence granted by a public body; and (vi) the mutual recognition of national solutions enabling libraries, educational establishments, museums and archives to

²⁴ http://ec.europa.eu/information_society/activities/digital_libraries/doc/hleg/orphan/mou.pdf

²⁵ Commission, COM (2011) 289 final of 24 May 2011.

provide for online access to orphan works. Without taking into account the option (i), which would impede the emergence of European digital libraries leaving open to Member States to implement legislation governing the online use of orphan works, all options (except the extended collective licensing) require an upfront diligent search: once a diligent search for the rightsholder has been conducted in the country of origin or first publication of the work, the result of this search (the orphan works status) is published and is mutually recognized in all EU Member States. Due to the fact that cited options have repercussions on property rights allowing to display online orphan works without prior permission, the diligent search requirement is provided for mitigating these repercussions. Pursuing the same goal, all options, on the other hand, have mechanisms for providing redress for reappearing rightsholders, a feature essential to safeguard the latter's property rights: the reappearing rightsholder would still be able to assert his or her rights over the work in question such as by preventing or authorizing the continued online access to his work (eg through a collecting society, for free or against payment) while the rightsholder of the orphan work subsequently reappears, the library lawfully entitled to display the orphan work online will not be held liable for acts of digital dissemination that occurred prior to the appearance of the copyright rightsholder.

While the principle of mutual recognition, provided by the options (ii), (iv) and (vi), would have the double advantage of identifying a single relevant jurisdiction where a diligent search is most conveniently conducted and of ensuring that the search would not have to be duplicated in all the other EU Member States when their libraries contain the same orphan works in their own collection or where the orphan work will ultimately be made available online, the extended collective licensing option and the option involving a government licence have the disadvantage that these schemes are limited to national territories and can therefore not provide Europe-wide access to the orphan works.

Summarizing the economic and social impacts of the various policy options, the Commission staff underlined that options (ii) and (vi) score the highest in terms of cross-border online access, bridging the knowledge gap and workability, avoiding the cost of duplicate diligent searches, reduction of transaction costs and facilitating the identification of rightsholders. The option (iv) appears to be complex with respect to the practical workability and this complexity would have detrimental repercussions on the free movement of information across the EU: after conducting a diligent search to determine the orphan status of a work, libraries also have to conclude a specific licensing arrangement that would cover exclusively such orphan works, and furthermore a licence for online access to a recognized orphan work would have to be obtained with each collecting society operating in the country of first publication. If a library collection comprises works published in several jurisdictions, this would introduce the need to obtain multiple licences: several licences covering orphan works from several jurisdictions

would therefore become necessary to provide EU-wide access to orphan works in a library's collection.²⁶

The differences between the options (ii) and (vi) arise in relation to operating costs and property rights. In terms of operating costs, the statutory exception appears to be the most efficient and least onerous for libraries as this option is limited to requiring a diligent search but no subsequent licensing: the option based on mutual recognition could result in slightly higher operating costs for libraries, depending on whether Member States choose complex and costly licensing systems to authorize the lawful display of orphan works. On the other hand, in relation to property rights, since the mutual recognition option grants Member States the possibility to establish suitable instruments to substitute for an express authorization, option (vi) is better suited to allow Member States to provide a higher level of protection for property rights. For these reasons, option (vi) is seemed on balance the safer choice. The chosen approach is therefore based on the mutual recognition of the orphan work status determined after a diligent search in the Member State where the work was first published: the results of diligent searches carried out should be recorded in a publicly accessible database; should a rightsholder reappear, the list would be updated accordingly.

4.1 – *The Directive proposal*

The main objective of the proposal is to create a legal framework to ensure the lawful cross-border online access to orphan works contained in online digital libraries or archives operated by a variety of institutions that are specified in the proposal when such orphan works are used in the pursuance of the public interest mission of such institutions. The emergence of the Google Book Search project coupled with the European delay in the creation of text-based digital libraries have underlined the need for rapid progress to address the orphan works issue. The cross-border access to orphan works in the single market should also be viewed within the context of the Europe 2020 Strategy which includes as one of its flagship initiatives the development of a Digital Agenda for Europe: the Digital Agenda identifies the simplification of copyright clearance, management and cross-border licensing as a key action, therefore creating a legal framework through a Directive to facilitate the digitization and dissemination of orphan works is one project that forms part of this key action.

²⁶ Commission (n 5) s5.4.7:

The development of European niche markets for orphan works would be lost; the complexity of orphan specific licensing would dissuade many, especially smaller scale, initiatives from engaging in EU-wide display of orphan works. Opportunities to create cross-cultural awareness and cohesion would be foregone, especially regarding translations or books containing orphans from different countries.

In line with the impact assessment's result described above, the aim is to be achieved through a two-stage system: before a work can be considered orphan a good faith and reasonable diligent search for the author should be carried out; and, once the diligent search establishes the orphan status of a work, the principle of mutual recognition will entail that the work in question will be deemed an orphan work throughout the EU, obviating the need for multiple diligent searches. On this basis, it will be possible to make orphan works available online for cultural and educational purposes without prior authorization unless the owner of the work puts an end to the orphan status.

For the purposes of the Directive the term 'work' includes: (i) works published in the form of books, journals, newspapers, magazines or other writings, and which are contained in the collections of publicly accessible libraries, educational establishments, museums or archives; (ii) cinematographic or audiovisual works contained in the collections of film heritage institutions; and (iii) cinematographic, audio or audiovisual works produced by public service broadcasting organizations before 31 December 2002 and contained in their archives (Article 1.2).

The definition of an orphan work incorporates the requirement of a diligent search: a work shall be considered an orphan work if the rightsholder in the work is not identified or, even if identified, is not located after a diligent search for the rightsholder has been carried out and recorded (Article 2.1). The organizations (public libraries, educational establishments or museums, archives, film heritage institutions and public service broadcasting organizations) shall ensure that a diligent search is carried out for each work by consulting the appropriate sources for the category of works in question (Article 3.1). The Directive applies to works first published or broadcast in a Member State and, in order to avoid duplication of search efforts, the diligent search is required to be carried out only in the Member State of first publication or broadcast (Article 3.3): in line with the principle of mutual recognition, a work which is considered an orphan work according to the Directive in a Member State shall be considered an orphan work in all Member States (Article 4). A rightsholder in a work considered to be orphan has, at any time, the possibility of putting an end to the orphan status (Article 5).

The Directive concerns only certain uses of orphan works. The organizations are permitted to use an orphan work by (i) making it available to the public, by wire or wireless means; (ii) reproducing it for the purposes of digitization, making available, indexing, cataloguing, preservation or restoration (Article 6.1). The organizations may not use orphan works in order to achieve aims other than their public interest missions, notably preservation, restoration and the provision of cultural and educational access to works contained in their collections (Article 6.2). Member States may authorize the organizations to use an orphan work for purposes other than those referred to in Article 6.2, provided that: (i) the organizations maintain

records of their diligent search; (ii) the organizations maintain publicly accessible records of their use of orphan works; (iii) in the case of an orphan work where a rightsholder has been identified but not located, the name of the rightsholder is indicated in any use of the work; (iv) rightsholders which put an end to the orphan status of the work are remunerated for the use that has been made of the work by the organizations; and (v) rightsholders may claim their remuneration within a period fixed by Member States and which shall not be less than five years from the date of the act giving rise to the claim (Article 7.1).

With a separate but complementary initiative the Commission addressed the out-of-commerce works issue. These are works that are still protected by copyright but are no longer commercially available because the authors and publishers have decided neither to publish new editions nor to sell copies through the customary channels of commerce. While the orphan works proposal aims to clarify the situation where the holder of rights in a work is not known or can no longer be located, in the case of out-of-commerce works the needs are different: the challenge that must be addressed is how to facilitate licensing solution for works which, while normally being under copyright, are no longer in commerce licences, taking into account that often they will need to cover a large number of works and different rightsholders.

Thus, for the out-of-commerce works the Commission chose a sector specific approach, publishing on September 2011 a memorandum of understanding (MoU) on 'Key Principles on the Digitisation and Making Available of Out-of-Commerce Works'.²⁷ The MoU is a sector-specific stakeholder-driven agreement negotiated amongst organizations representing libraries on the one hand and publishers, authors and their collecting societies on the other: aiming to encourage voluntary collective licences it contains the key principles that these parties will follow to licence the digitization and making available, including across borders in the EU, of books or learned journals that are out of commerce.

5. Conclusion: a comparison between Google, the US and the EU proposals

The Google's project and the type of access solution proposed (an opt-out mechanism that makes no prior permission necessary because by default

²⁷ The MoU was signed by the European Writers' Council (EWC), the Federation of European Publishers (FEP), the European Publishers' Council (EPC), the International Association of Scientific, Technical and Medical Publishers (STM), the European Bureau of Library, Information and Documentation Associations (EBLIDA), the Conference of European National Librarians (CENL), the Association of European Research Libraries (LIBER), European Visual Artists (EVA), the European Federation of Journalists (EFJ) and the International Federation of Reprographic Rights Organisations (IFRRO).

authors and publishers automatically stay in the Settlement) highlighted the urgency of a legal initiative on orphan works.²⁸ Anyway the Google Book Search Settlement has been analogized to systems already in place, which enables particular use of works without negotiation between individual rightsholders and potential users.²⁹

Nordic Countries (Denmark, Finland, Iceland, Norway and Sweden), have established since the early 1960s the so-called 'extended collective licence' (ECL), as a support mechanism for freely negotiated licensing agreements, to cover certain activities in libraries, museums and archives.³⁰ First the ECL's system was proposed in relation to the use of literary and music works under copyright in radio and TV broadcasting, later on it has been extended to other copyrighted works and areas of use, including the re-use of broadcasts through re-broadcast, on demand services and online. Under ECL laws, collecting societies, which represent copyright and related rights owners in a particular area, can not only conclude contracts on behalf of their members but, as long as collecting societies represent a substantial number of rightsholders, they may even negotiate licences that extend to copyrighted works owned by non-members for the same set of uses. These non-member rightsholders must be fairly represented and are entitled to have a share for ECL-licenced uses of their works. Moreover, a society is typically authorized to act on behalf of foreign as well as domestic rightsholders. Users who have entered an ECL agreement with a collecting society are not subject to copyright infringement actions in relation to all the specified uses specified and this without incurring in the transaction costs of negotiating with each individual rightsholder. After granting ECL licences to users, a collecting society must collect the licence fees from them, divide these funds in an equitable manner among its members, pay members their fair shares and set aside funds for non-members. Rightsholders generally also have the right to opt out of the ECL.

The Google Settlement also shares some characteristics with the EU proposals regarding the provision of both a centralized database and a centralized entity that would receive royalties from the users (the Book Rights Registry for the Google Settlement, national rights clearance centres for

²⁸ See Katharina de la Durantaye, 'Finding a Home for Orphans: Google Book Search and Orphan Works Law in the United States and Europe' (2011) 21 *Fordham Intell Prop Media & Ent LJ* 229, arguing that the debate surrounding the Google Book Search Settlement poses a singular opportunity to harmonize orphan works legislation.

²⁹ On the different regulatory solutions proposed to overcome the orphan works' issues see van Gompel (n 10); Bernard Lang, 'Orphan Works and the Google Book Search Settlement: An International Perspective' (2010/11) 55 *New York L School L Rev* 111; Pamela Samuelson, 'Legislative Alternatives to the Google Book Settlement' (2011) 34 *Colum JL & Arts* 697.

³⁰ See Daniel Gervais (ed), *Collective Management of Copyright and Related Rights* (Kluwer Law International 2010); Johan Axhamn and Lucie Guilbault, *Cross-Border Extended Collective Licensing: A Solution to Online Dissemination of Europe's Cultural Heritage?* (cm 2011) <http://www.ivir.nl/publicaties/guilbault/ECL_Europeana_final_report092011.pdf>; Alain Strowel, 'The European "Extended Collective Licensing" Model' (2011) 34 *Colum JL & Arts* 665.

EU proposal): these are elements not envisaged in the US-proposed framework.

One of the main concerns raised by the European Directive proposal is its interaction with regulations governing the use of orphan works already in place within the individual Member States.³¹ This seems particularly relevant in light of the Nordic Countries' mechanism illustrated above and the recent law adopted on 22 February 2012 by the French National Assembly relating to the digitization of commercially unavailable books of the 20th century (*'Loi relative à l'exploitation numérique des livres indisponibles du XXe siècle'*).

According to the French law, the Bibliothèque Nationale de France is to compile a freely accessible online database of all works published in France before 1 January 2001, which are not being commercially distributed by a publisher and are not currently published in print or digital form. Once a book has been listed in the database for more than six months, the right to authorize its reproduction and display in digital form will be transferred to a collective management organization approved by the Minister of Culture.³² Thus, mirroring the decried Google Book Settlement, the law introduces an opt-out clause: authors and publishers will only have six months from the registration of the work in the public database to oppose the collective management. Once the six months has passed, while authors will only be able to resume control of their books if they can prove that their reproduction or display is prejudicial to their honour or reputation, publishers who raise objection to the collective management must bring out an edition within two years. In the absence of opposition within the six months after the registration, the collective management society can grant to the publisher an exclusive licence of digital exploitation for a period of 10 years (implicitly renewable); within two months, the publisher will have to accept the licence, otherwise anyone else will be able to request a non-exclusive licence for a period of five years. Even if several unavailable books are recognized to be orphan works (estimated at 20 per cent of the 700,000 titles), the only specific reference to them is the Article 2 where they are defined as protected and disclosed works, whose rightsholder cannot be identified or found *'malgré des recherches diligentes, avérées et sérieuses'*.

Another solution comes from Canada, where according to section 77 of the Copyright Act, the Copyright Board (an administrative tribunal) may

³¹ Reto Hilty and others, Comments of the Max Planck Institute for Intellectual Property and Competition Law on the Commission Proposal for a Directive on Certain Permitted Uses of Orphan Works, forthcoming in IIC.

³² Approved collective management organizations must represent both authors and publishers, will have legal powers to take action in defence of the rights assigned to them and will be obliged to make an effort to find and pay as many rights holders as possible, and to negotiate as many publishing contracts for these works as possible with the aim of making them available. In the case of the sums of money that the collective management societies are unable to distribute because they cannot find the recipients, after 10 years they shall devote them to projects for assisting creativity, for teaching authors to write, and for organizing public readings, to be implemented by the libraries.

grant non-exclusive licences authorizing the use of published works, fixed performances, published sound recordings and fixed communication signals, to any user whose 'reasonable efforts' to locate the copyright owners have been unsuccessful. The licence is subject to terms and conditions as the Board may establish: the wide discretion conferred upon the Board has given rise to a number of legal and practical issues. Regarding the payment of royalties the Board can ask the licensee to pay either only once the owner is located or, immediately, to a collective society representing owners that are similar to the unlocatable one.

Like the Canadian Copyright Act, proposals in Europe and USA advocate the implementation of a system of diligent search as a defence to copyright infringement: this is one of main difference with the Google's project, where there is no reasonably diligent search requirement. But while the EU Proposal concerns certain uses of orphan works undertaken by publicly accessible libraries, educational establishments or museums as well as by archives, film heritage institutions and public service broadcasting organizations, the US proposal is broad in the type of users that it contemplated covering, applying to all users, independently of whether they attempt to obtain commercial revenue from their uses of the work or works in question and to uses on all scales, from the use of a single work to uses of massive numbers of works. Differences between EU and US proposals reflect their different legal traditions and societal norms: the USA opts for a market-driven approach, based on the limitation on both remedies and monetary compensation, in which private ordering would play a large role, while the EU is aimed to develop a framework in which public, government-run initiatives would provide the core of the solution (databases, rights clearance centres and the collective licences granted are all subject to government supervision).³³

The different solutions should be compared in terms of their effectiveness that will ultimately depend upon whether the different costs involved would allocate orphan works more efficiently than they are now. Starting from the US side, the suggestion is limiting the relief available to copyright owners whose orphan works are infringed upon by a user who performed a reasonably diligent search in good faith to find the copyright owner in order to obtain permission, but did not succeed. Two different types of costs are involved: the transaction costs of initiating negotiations and those related to subsequent possible litigations. Substantial transaction costs and

³³ de la Durantaye (n 28) 257–8. Anyway as highlighted by Hilty and others (n 31), the proposal does not specify whether, in addition to public institutions, privately organized establishments are to be counted among the privileged addressees: according to the wording of Art 1.1, the decisive criterion is not the public or private form of the institution, but rather the public accessibility with regard to the work in question ('Given that the [proposal] refers to the public interest duties of the concerned institutions several times, it is questionable whether this is the desired aim of the Commission. It is, therefore, recommended to clarify the role of privately organised establishments in a recital.').

imperfect information often prevent potential users and copyright owners from finding one another and negotiating. Through a mechanism as the one proposed in the USA, a portion of these initial costs is allocated from the potential orphan works user to the copyright owner. In addition, given that the copyright owner's available monetary damages are limited to reasonable compensation, the amount of which would be negotiated by the copyright owner and the infringer, the administrative costs of enforcement would be reduced. However, the reverse of the coin is the lack of clear guidelines about what constitutes a reasonable/diligent search and therefore the uncertainties related to the court's findings and the risk for users to be compelled to pay statutory damages. Moreover, all the costs and uncertainties related to possible litigations must be considered. In the presence of small copyright infringement claims, the cost of litigating in federal courts can be, for individual authors, prohibitively expensive in many cases. The Copyright Office, aware of the problem, dismissed it on the basis that it had existed for some time and went beyond the orphan works situation, extending to all types of infringement of the works of individual authors. The conclusion is that the US solution can be considered highly efficient only in the case in which a work is really orphaned.

Shifting to the systems characterized by the use of licence fees, high costs can be involved according to two main aspects: first, users have to pay them *ex ante* without knowing if they would ever be claimed; and, secondly, the collecting organizations are relatively costly to establish and maintain. Nevertheless, the risk related to potential infringers and statutory damages and the cost of litigations are put aside.

Moving to the European proposed procedures, the main costs involved are those associated with the diligent search requirements and with running databases, rights clearance centres and the collective licences mechanism. Libraries, educational establishments, museums or archives, film heritage institutions and public service broadcasting organizations as well as commercial users are required to carry out a prior diligent search to obtain a licence, and the problematic about the absence of clear guidelines (the so-called flexible approach) for what constitutes a diligent search are the same described in the analysis of the US proposal. The difference is that, in the case in which rightsholders come forward to claim their works and their rights, users do not risk to be compelled to pay given that, according of the type of work and the use concerned, the revenues collected from the use of orphan works for the purpose of remuneration but which are unclaimed after the expiry of the period fixed should be used. Moreover, the elimination of multiple diligent searches, thanks to the creation of publicly accessible databases of search results and use of orphan works, allows cost-savings.

In addressing the issue of orphan works several proposals may be considered. Once explained their differences, it should be clear that, to make a choice, priorities in terms of protection should be established. If the guiding

principle for an appropriate solution should reflect an equilibrium between safeguarding the interests of rightsholders and giving legal certainty to good faith prospective users,³⁴ establishing which is the most efficient one depend upon what kind of digital library we are looking for, if we want to encourage individual uses, mass-scale digitization or else.

³⁴ Randal Picker, 'After Google Book Search: Rebooting the Digital Library' (2011) University of Chicago Law & Economics Working Paper 559/2011:

The animating principle of such legislation should be to try to replicate what we think orphan rights holders would do were they actually present. Doing so would exhibit the greatest fidelity to the existing copyright system. Orphan-works legislation shouldn't be seen as an opportunity for giving orphan holders weaker rights merely because they aren't present and are unrepresented.