THE ORPHAN WORKS CHIMERA AND HOW TO DEFEAT IT: A VIEW FROM ACROSS THE ATLANTIC

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I. INTRODUCTION

For many years, scholars and policymakers around the world have attempted to answer the question of how best to address the problem of orphan works.[1] Orphan works are copyright protected works (or subject-

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1. *See generally* P.B. HUGENHOLTZ ET AL., UNIV. OF AMSTERDAM INST. FOR INFO. LAW, THE RECASTING OF COPYRIGHT & RELATED RIGHTS FOR THE KNOWLEDGE ECONOMY 159–95 (2006) (reporting to the European Commission, DG Internal Market); Stef van Gompel, *Unlocking the potential of pre-existing content: How to address the issue of orphan works in Europe?*, 38 INT'L REV. INTELL. PROP. & COMPETITION L. 669 (2007); AGNIESZKA

matter protected by related rights),[2] the right owners of which cannot be identified or located by someone who wants to make use of such works in a manner requiring the right owners' consent. This may obstruct the entire process of clearing rights. Not being able to acquire the necessary permission from the right owners concerned makes it impossible to legally reproduce a work or communicate it to the public. Where the right owner cannot be found, even after a reasonably conducted search, a would-be user has only two choices: to use the work and bear the risk of an infringement claim, or to completely abandon his or her intention to use the work.[3] The latter strategy forestalls a productive and beneficial use of the work. That is clearly not in the public interest, in particular where the right owner, if located, would not have objected to the use in question.

While different models have been suggested or adopted—varying from a limitation on remedy rule as proposed in the United States,[4] to a system of mutual recognition of national solutions for orphan works as recently adopted in the European Union,[5] to a specific exception or limitation as proposed in the United Kingdom[6] and Germany,[7] to a compulsory license to be obtained from a public authority as exists in Canada and other countries around the world,[8] to an extended collective licensing scheme as applied in

VETULANI, THE PROBLEM OF ORPHAN WORKS IN THE EU: AN OVERVIEW OF LEGISLATIVE SOLUTIONS AND MAIN ACTIONS IN THIS FIELD 28–46 (2008) (report prepared for the European Commission, DG Information Society and Media, Unit E4: Digital Libraries and Public Sector Information).

2. Related (or neighboring) rights are rights related to or neighboring on copyright, such as the rights of performers, phonogram producers, film producers, and broadcasting organizations. The term "orphan works," as used in this Article, will include subject matter protected by related rights (e.g., performances, phonograms, films and broadcasts).

3. U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 15 (2006), *available at* http://www.copyright.gov/orphan/orphan-report-full.pdf.

4. *Id.* at 12–13.

5. Directive 2012/28/EU, of the European Parliament and of the Council of 25 October 2012 on Certain Permitted Uses of Orphan Works, 2012 O.J. (L 299) 5 [hereinafter Orphan Works Directive].

6. *See* BRITISH SCREEN ADVISORY COUNCIL, COPYRIGHT AND ORPHAN WORKS: A PAPER PREPARED FOR THE GOWERS REVIEW 19 (2006), *available at* http://www.bsac.uk.com/files/copyright__orphan_works_paper_prepared_for_gowers_2006.pdf. The Gowers Committee recommended the proposal of the British Screen Advisory Council (BSAC) to the U.K. Government. *See* HM TREASURY, GOWERS REVIEW OF INTELLECTUAL PROPERTY 71 (2006), *available at* http://www.hm-treasury.gov.uk/d/pbr06_gowers_report_755.pdf.

7. AKTIONSBÜNDNIS URHEBERRECHT FÜR BILDUNG UND WISSENSCHAFT, BEDARF NACH EINER URHEBERRECHTSLÖSUNG FÜR VERWAISTE WERKE (2007), *available at* http://www.urheberrechtsbuendnis.de/docs/verwaisteWerke.pdf.

8. *See* Copyright Act, R.S.C. 1985, c. C-42, art. 77 (Can.). *See also* Chosakukenhou [Copyright Act], Act No. 48 of 1970, art. 67 (Japan); Jeojakgwonbeob [Copyright Act], Act

the Nordic countries[9]—they all fail to offer a complete answer to tackle the problem effectively. That is, rather than putting forward a general solution, each of the models provides relief only in specific circumstances.

To give an example, the models that are premised on the requirement to conduct a diligent search for the right owner—i.e., the proposed U.S. limitation on remedy rule, the E.U. system of mutual recognition, the proposed orphan works exception or limitation, and the Canadian statutory licensing scheme—are less suitable for mass-digitization projects or other projects where clearing rights on a work-by-work basis is not a viable option for cost-related reasons.[10] The models that are based on collective rights management (e.g., the extended collective licensing scheme), on the other hand, are not really equipped for small-scale projects where one could easily perform a search for the right owner. Moreover, in practice, the latter models are useful only in those areas where collective rights management organizations actually operate.[11]

This Article contends that the orphan works problem is a generic problem. It is not specific to a certain form of use, but has implications across the copyright spectrum. Yet, it manifests itself in different ways, depending on the type of use that is made of these works. The legal certainty that users of orphan works actually require is very much contingent on the

No. 9625, art. 50 (S. Kor.); Copyright Act, No 14 of 1957, INDIA CODE (1957), art. 31a. In the United Kingdom, where the Copyright Tribunal may give consent to the making of a copy of an "orphaned" recorded performance, a limited compulsory licensing scheme is also provided for. Copyright, Designs & Patents Act, 1988, c. 48, § 190 (U.K.).

9. JOHAN AXHAMN & LUCIE GUIBAULT, CROSS-BORDER EXTENDED COLLECTIVE LICENSING: A SOLUTION TO ONLINE DISSEMINATION OF EUROPE'S CULTURAL HERITAGE? 25 (2011), *available at* http://www.ivir.nl/publicaties/guibault/ECL_Europeana_final_report092011.pdf. In the United Kingdom, the Digital Economy Bill as originally introduced also included a provision enabling extended collective licensing for orphan works. Digital Economy Bill, 2009–10, H.L. Bill 1 cl. 42 (clause 42 was later renumbered as clause 43). Because it raised much controversy amongst right holders and photographers, in particular, *see* STOP43, http://stop43.org (last visited Sept. 10, 2012), the provision was eventually dropped. *See* Digital Economy Bill, 2009–10, H.L. Bill 55 (removing Clause 43 altogether). Currently, the Enterprise and Regulatory Reform Bill again contains a provision proposing new rules on the licensing of orphan works, including the possibility to obtain a license from a public authority and an extended collective licensing scheme. Enterprise and Regulatory Reform Bill, 2012–13, H.C. Bill 61 cl. 59.

10. *Cf.* MIREILLE VAN EECHOUD ET AL., HARMONIZING EUROPEAN COPYRIGHT LAW: THE CHALLENGES OF BETTER LAWMAKING 278 (Info. Law Ser. 19, Kluwer Law International 2009).

11. *See* HUGENHOLTZ ET AL., *supra* note 1, at 184; Paul Goldstein, *The Quiet Revolution in American Copyright Law*, *in* PATENTS AND TECHNOLOGICAL PROGRESS IN A GLOBALIZED WORLD, MPI STUDIES ON INTELLECTUAL PROPERTY, COMPETITION AND TAX LAW 703, 706 (Wolrad Prinz zu Waldeck und Pyrmont et al. eds., 2009).

scale of use (large-scale versus incidental use) and the question of whether the works are used independently, are integrated, or are transformed into derivative works. As a consequence, the orphan works problem has different legal repercussions for different groups of users.

For this reason, this Article presents the orphan works problem as a Chimera, not in the sense of it being "an illusion or fabrication of the mind,"[12] but in the ancient mythological sense of a three-headed she-monster. As described in Homer and Hesiod, the Chimera was a fire-breathing monster with a lion's head, a tail that ended in a serpent's head, and a head of a goat in her middle.[13] The metaphor of the Chimera enables the orphan works problem to be depicted as a generic problem with different manifestations, as represented by the three heads. Moreover, because chopping off only one of its heads will not immediately kill a multi-headed beast, the same metaphor illustrates that the only way to defeat the orphan works problem effectively is to pursue a multifaceted strategy. This forms the central thesis of this Article.

Accordingly, in examining how to address the orphan works problem, this Article argues that there is not one best approach. Rather, the problem requires different treatment depending on the type of use that is made of these works. Yet, there is an important contrast between Europe and the United States when it comes to adopting one model or the other. As will be seen, this is directly related to the difference between the two legal systems in terms of the financial damages that a user may incur when a right holder of an orphan work reappears. While this Article is predominantly written from a European viewpoint, it will draw a distinction between the legal systems in Europe and the United States to illustrate this point.

It must be emphasized that the orphan works problem does not occur where the consent of right owners is not required. This is the case, for example, where the act of reproduction or communication is covered by an exception or limitation. In Europe, an exhaustive list of exceptions and limitations can be found in Article 5 of the E.C. Directive on Copyright in the Information Society.[14] This includes, inter alia, an exception in favor of archives, publicly accessible libraries, educational institutions, and museums

12. WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE 389 (Philip Babcock Gove et al. eds., 1993).

13. HOMER, THE ILIAD 6.179–182 (Rodney Merrill trans., Univ. Mich. Press 2007); HESIOD'S THEOGONY 319–24 (Richard S. Caldwell trans., Focus Info. Grp. 1987).

14. Directive 2001/29/EC, of the European Parliament and of the Council of 22 May 2001 on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society, 2001 O.J. (L 167) 10, 16–17.

to make specific acts of reproduction for non-commercial purposes.[15] This allows European Union Member States to introduce a statutory exception to permit these institutions to make analogue or digital reproductions for purposes of preservation or restoration of works available in their collections. Similarly, in the United States, no permission from the copyright owner is required in cases where the fair use defense or any other statutory exception or limitation applies.[16] Because the orphan works problem will not arise in cases covered by a specific exception or limitation, those situations will not be dealt with in this Article.[17]

This Article consists of three parts. Employing the metaphor of the Chimera, Part II systematically introduces the different ways in which the problem of orphan works manifests itself and describes the legal uncertainty that the different categories of users of orphan works experience. Next, Part III suggests addressing the orphan works problem by adopting a multifaceted approach that would provide adequate relief for the different categories of users of orphan works. Part IV concludes.

II. INTRODUCING THE CHIMERA: THE DIFFERENT MANIFESTATIONS OF THE PROBLEM

Although there are numerous ways in which the problem of orphan works is manifested, and generalizations are difficult to make, this Part identifies the three ways in which the orphan works problem materializes most prominently. For this purpose, it uses the Chimera to illustrate the different legal repercussions that the problem entails for different categories of users. Considering the main characteristics of the animals of which the Chimera is comprised, it depicts mass-digitization projects as the lion's head (Section II.A), transformative and derivative uses as the serpent's head (Section II.B), and small-scale incidental uses as the goat's head (Section II.C).

A. THE LION'S HEAD: MASS-DIGITIZATION PROJECTS

The topic that has drawn the most attention in the orphan works debate in recent years is mass-digitization. Mass-digitization projects can therefore

15. *Id.* Art. 5(2)(c).

16. *See* 17 U.S.C. §§ 107–122 (2010).

17. To the extent that a particular act of reproduction or communication can be brought under the fair use defense in the United States or an existing exception or limitation in Europe, this could bring sufficient relief to prospective users of orphan works. *See* Jennifer M. Urban, *How Fair Use Can Help Solve the Orphan Works Problem*, 27 BERKELEY TECH. L.J. 1379 (2012).

properly be characterized as the roaring lion of the Chimera. The lion is by far the loudest and noisiest of the three animals. Moreover, it is also one of the most dangerous and, except for the serpent, deadliest animals on earth.[18] Perceived in the context of the present debate on orphan works, the latter characteristic quite well represents the legal uncertainty that the issue of orphan works creates for projects of mass-digitization.

In the European Union, almost the entire orphan works debate seems centralized around mass-digitization.[19] Since 2005, orphan works have formed an integral part of the i2010: Digital Libraries initiative of the European Commission's DG Information Society.[20] This initiative aims to ensure that a full catalog of cultural and scientific materials available in libraries, museums, and archives across Europe (including literature, art, films, and photos) is digitized and made available online. In the 2006 Commission Recommendation on the digitization and online accessibility of cultural material and digital preservation, the Commission called upon the Member States to create mechanisms that would facilitate the use of orphan works and to promote the availability of lists of known orphan works and works in the public domain;[21] but few Member States responded to this call.[22] Therefore, the Commission took the matter in its own hands and put forward a proposal for a Directive on certain permitted uses of orphan works, which has recently been adopted.[23] This Directive is aimed entirely at enabling the digitization of and ensuring "the lawful, cross-border online

18. *See* David Pegg, *The 25 Most Dangerous Animals in the World*, LIST25 (Nov. 23, 2011), http://list25.com/the-25-most-dangerous-animals-in-the-world. The African lion is number fourteen on the list of twenty-five most dangerous animals in the world, as compiled by List25. By contrast, serpents such as the boomslang and the carpet viper are at numbers thirteen and seven, respectively. Unsurprisingly, goats do not appear on this list.

19. *See, e.g.*, VAN EECHOUD ET AL., *supra* note 10, at 263–65.

20. *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 'i2010: Digital Libraries'*, at 6–7, COM (2005) 465 final (Sept. 30, 2005). *See also Digital Agenda for Europe: Digital Libraries Initiative*, EUROPE'S INFORMATION SOCIETY THEMATIC PORTAL, http://ec.europa.eu/information_society/activities/digital_libraries/index_en.htm (last visited Aug. 29, 2012).

21. Commission Recommendation of 24 August 2006 on the Digitization and Online Accessibility of Cultural Material and Digital Preservation 2006/585/EC, arts. 6(a)(c), 2006 O.J. (L 236) 28, 30.

22. *See Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, Europe's Cultural Heritage at the Click of a Mouse: Progress on the Digitisation and Online Accessibility of Cultural Material and Digital Preservation Across the EU*, at 6–7, COM (2008) 513 final (Aug. 11, 2008). *See also Commission Staff Working Paper accompanying the Commission Recommendation on the Digitisation and Online Accessibility of Cultural Material and Digital Preservation*, at 26–27, SEC (2011) 1274 final (Oct. 27, 2011).

23. Orphan Works Directive, *supra* note 5.

access to orphan works contained in . . . particular cultural heritage institutions."[24]

Likewise, the U.S. Copyright Office adopted a preliminary analysis and discussion document on legal issues in mass digitization in October 2011.[25] In contrast to the U.S. Copyright Office's report on orphan works of 2006, which treats the problem in a generic way, this document discusses the issue of orphan works entirely in the context of mass-digitization.[26] The present discussion paper invites interested parties to start a debate on possible approaches—voluntary or legislative—to tackling the orphan works problem, specifically for projects of mass-digitization.[27]

One reason why the U.S. Copyright Office adopted this preliminary analysis and discussion document is, obviously, the rejection by the U.S. District Court for the Southern District of New York of the class action lawsuit brought by the Authors Guild and others against Google for the mass digitization of books in several large U.S. libraries.[28] The Google Books Settlement raised controversy, inter alia, because it would grant Google a monopoly over out-of-print works and orphan works covered by the class action.[29] In rejecting the proposed settlement, the court ruled that the "question 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."[30]

Orphan works indeed present a major obstacle to projects of mass-digitization. That is due in particular to the scale in which pre-existing works are digitized and made available. Although the size of the problem is difficult

24. *See* Stef van Gompel, *The Commission's Proposal for a Directive on Orphan Works*, KLUWER COPYRIGHT BLOG (June 14, 2011), http://kluwercopyrightblog.com/2011/06/14/the-commission's-proposal-for-a-directive-on-orphan-works; Stef van Gompel, *Het richtlijnvoorstel verweesde werken: Een kritische beschouwing*, 35 AMI TIJDSCHRIFT VOOR AUTEURS-, MEDIA- & INFORMATIERECHT 205, 207–08 (2011).

25. U.S. COPYRIGHT OFFICE, LEGAL ISSUES IN MASS DIGITIZATION: A PRELIMINARY ANALYSIS AND DISCUSSION DOCUMENT (2011), *available at* http://www.copyright.gov/docs/massdigitization/USCOMassDigitization_October2011.pdf.

26. *Id.* at 25–29.

27. *Id.* at i, 1–4.

28. Authors Guild v. Google Inc., 770 F. Supp. 2d 666 (S.D.N.Y. 2011).

29. *See, e.g.*, James Grimmelmann, *How to Fix the Google Book Search Settlement*, 12 J. INTERNET L. 1, 14 (2009); Randal C. Picker, *The Google Book Search Settlement: A New Orphan-Works Monopoly?*, 5 J. COMPETITION L. & ECON. 383 (2009); Pamela Samuelson, *The Google Book Settlement as Copyright Reform*, 2011 WIS. L. REV. 479, 511 (2011).

30. *Authors Guild*, 770 F. Supp. 2d at 677.

to quantify,[31] and precise figures are impossible to give,[32] more and more studies show that the number of orphan works available in the collections of libraries, archives, and museums is significant.[33] Estimates at the high end of the range are provided for, inter alia, by the British Library, which suggests that at least 40% of the works in their collections are orphaned.[34] More conservative estimates indicate that, in Europe, about three million books (i.e., 13% of the total number of in-copyright books) and between 129,000 and 225,000 cinematographic works are orphan works.[35]

Thus, if a party engages in the large-scale digitization and communication to the public of the works held by libraries, museums, or archives, and, due to the orphan status of many works, is unable to secure prior authorization from the right owners concerned, it risks exposing itself to claims for financial damages. For various mass-digitization projects these risks may well become prohibitively high, as "many small claims can add up to a considerable total."[36]

This is certainly the case in the United States, where users face the risk of becoming liable for payment of statutory damages of up to $150,000 for each willfully committed infringement.[37] This can happen if the user had constructive knowledge of the infringing nature of his or her conduct.[38] This

31. *See* U.S. COPYRIGHT OFFICE (2006), *supra* note 3, at 92; HUGENHOLTZ ET AL., *supra* note 1, at 167.

32. An important reason is that the size of the orphan works problem is inversely proportional to the search that is conducted to identify and locate the right owners of the works. *See* Van Gompel, *Het richtlijnvoorstel verweesde werken: Een kritische beschouwing*, *supra* note 24, at 205.

33. *See, e.g.*, DENISE TROLL COVEY, ACQUIRING COPYRIGHT PERMISSION TO DIGITIZE AND PROVIDE OPEN ACCESS TO BOOKS 16–21, 24–35 (2005), *available at* http://www.clir.org/pubs/reports/pub134/pub134col.pdf (establishing "that identifying and locating current copyright owners, particularly of older books, is a difficult, time-consuming, hit-or-miss, sometimes futile process"); NAOMI KORN, JOINT INFO. SYS. COMM., IN FROM THE COLD: AN ASSESSMENT OF THE SCOPE OF "ORPHAN WORKS" AND ITS IMPACT ON THE DELIVERY OF SERVICES TO THE PUBLIC 5 (2009), *available at* http://sca.jiscinvolve.org/wp/files/2009/06/sca_colltrust_orphan_works_v1-final.pdf; ANNA VUOPALA, EUR. COMM'N, DG INFO. SOC'Y & MEDIA: UNIT E4 ACCESS TO INFO., ASSESSMENT OF THE ORPHAN WORKS ISSUE AND COSTS FOR RIGHTS CLEARANCE 5 (2010), *available at* http://ec.europa.eu/information_society/activities/digital_libraries/doc/reports_orphan/anna_report.pdf.

34. *See* BRITISH LIBRARY, COPYRIGHT FOR EDUCATION AND RESEARCH: GOLDEN OPPORTUNITY OR DIGITAL BLACK HOLE? 1 (2009), *available at* http://pressandpolicy.bl.uk/imagelibrary/downloadMedia.ashx?MediaDetailsID=564.

35. VUOPALA, *supra* note 33, at 5, 43.

36. VAN EECHOUD ET AL., *supra* note 10, at 271.

37. 17 U.S.C. § 504(c) (2010).

38. *See, e.g.*, Island Software & Computer Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 264 (2d Cir. 2005).

is particularly risky for users of orphan works, who are likely to possess such knowledge considering that they use works knowing that their right owners are unknown or untraceable.[39] However, the court shall remit statutory damages if it finds that the infringer is a nonprofit educational institution, library, or archive that believed and had reasonable grounds for believing that its copying was a fair use.[40] Still, risk-averse institutions may well avoid relying on the fair use defense, as it does "not offer absolute protection from allegations of infringement."[41] The chance of being exposed to statutory damages simply poses too great a risk. A perfect illustration is the example given by Samuelson and Wheatland, who calculate that, in the *Author's Guild v. Google, Inc.* case, even "an award of the statutory minimum of $750 per book would yield approximately $4.5 billion in liability" for Google.[42]

By contrast, in Europe, damages are ordinarily based on the actual losses incurred by the infringement.[43] Unlike in the United States, the damages recoverable are compensatory and not punitive in nature. Therefore, if a user eventually is held liable for copyright infringement, he or she generally is obligated to pay no more than the actual damages suffered by the right owner, which is often comparable to the amount the user would have had to pay in case a license had been obtained. Accordingly, in Europe, users of orphan works do not have the Damocles sword of large monetary awards hanging over them.[44] This allows users to reserve a certain amount of money to pay a right owner should he or she eventually come forward.

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39. *Cf.* Memorandum of Amicus Curiae The Internet Archive in Opposition to Settlement Agreement at 3–4, Authors Guild v. Google Inc., No. 05-CV-08136-DC (S.D.N.Y. Sept. 8, 2009).

40. *See* 17 U.S.C. § 504(c)(2) (2010).

41. U.S. COPYRIGHT OFFICE (2011), *supra* note 25, at 19.

42. Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439, 491 (2009).

43. *See* Directive 2004/48/EC, of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights (Corrigendum), art. 13(1), 2004 O.J. (L 195) 16, 23 (instructing Member States to ensure the availability of "damages appropriate to the actual prejudice suffered by [the right holder] as a result of the infringement"). While this is also the general rule under the common law of the U.K., *see* L. BENTLY & B. SHERMAN, INTELLECTUAL PROPERTY LAW 1117 (3d ed. 2009), additional damages are available under the Copyright, Designs & Patents Act, 1988, c. 48, § 97(2) (U.K.). Their award, however, is the exception rather than the rule. If they nevertheless are awarded, the level of additional damages typically has been modest. *See* Christina Michalos, *Copyright and Punishment: The Nature of Additional Damages*, 22 EUR. INTELL. PROP. REV. 470, 473 (2000).

44. To have the sword of Damocles hanging over you means that, despite apparent well-being, you are facing an ever-present threat. The expression alludes to the legend of Damocles, a courtier to King Dionysius I of Syracuse. According to the legend, Damocles so frequently praised the power and apparent happiness of his king that the latter invited him to

For most mass-digitization projects, however, it is difficult to estimate expected future claims resulting from the use of orphan works. In practice, it is not always clear how large monetary reserves need to be. The legal uncertainty that this entails may consequently be too high to risk using these works.[45] Moreover, for libraries, museums, and archives, the prospect of being held liable for copyright infringement is very unnerving. Since these institutions are often nonprofit and funded by public money, they cannot tolerate getting a reputation of being large-scale infringers of copyright-protected works.[46]

On the other hand, the legal uncertainty that the orphan works problem creates for mass-digitization projects does not extend beyond financial loss. If right owners that reappear seek injunctive relief by prohibiting further use of their works, the projects usually do not run high risks, as the works can simply be removed from their online databases.[47]

B. THE SERPENT'S HEAD: TRANSFORMATIVE AND DERIVATIVE USES

The problem of orphan works manifests itself somewhat differently in cases of transformative and derivative uses. Examples are motion pictures and documentary films that incorporate pre-existing material, such as photographs and film footage. When a filmmaker comes across a work that he or she wants to integrate into a movie, perhaps because it has unique historical or cultural merit or simply because it fits the theme or storyline, the filmmaker may be legally liable if the right owner of the work cannot be identified or located to ask for permission.

In contrast to mass-digitization projects, transformative or derivative uses of orphan works appear to carry less financial risk. Transformative and derivative uses usually concern reutilization on a small scale. Except for a situation in which a derivative work incorporates a myriad of orphan works, it seems feasible to estimate the financial liability that may arise when using a work without being able to obtain the prior authorization of its right owner.[48] As observed in Section II.A, *supra*, however, the financial risks for creative re-users in the United States are likely to be higher than for those in Europe,

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a banquet and seated him under a sword hung by a single horse-hair, so as to point out to him the fears and worries that kingship brings with it.

45. *See* KORN, *supra* note 33, at 28–29.

46. *Id.* at 21 (quoting Clifford Lynch, Director of the Coalition for Networked Information).

47. VAN EECHOUD ET AL., *supra* note 10, at 272.

48. *See* KORN, *supra* note 33, at 6, 20 (indicating as one of the key research findings that "the most common method for managing Orphan Works is the adoption of a risk managed approach (average of 60%).").

given the availability of statutory damages with a punitive character under U.S. copyright law.

Having said that, injunctions are by far the most serious cause of legal uncertainty for persons making transformative or derivative uses of orphan works. Where an orphan work has been incorporated into a derivative work, a resurfaced right owner may file suit against the user and claim—in addition to awards for damages—an injunction preventing the continued use of his or her work.[49] This may have grave consequences. For example:

> If an orphan work is used in a documentary film . . . and the further use of this work would be forbidden by a reappeared right owner seeking injunctive relief, the documentary filmmaker may run the risk that the orphan work needs to be removed (which may render the entire film worthless) or, in the worst case scenario, that the entire film needs to be taken from the market.[50]

For this reason, transformative and derivative uses of orphan works can best be characterized as the serpent's tail of the Chimera. Serpents are silent, yet very effective killers. Slowly but successfully, their one bite can kill an entire living being. This quite well resembles the legal uncertainty caused by the availability of injunctive relief. If a transformative or derivative user of an orphan work is confronted with an injunction filed by a reappeared right owner, he or she may at worst witness the entire project being brought to an end. Hence, there is much more at stake in case an orphan work is integrated or transformed into a derivative work than when it has simply been reproduced and made online available to the public without any transformation of its content, as in the majority of mass-digitization projects.[51]

C. THE GOAT'S HEAD: SMALL-SCALE INCIDENTAL USES

A third group of uses involves certain small-scale incidental uses. Given the relatively little harm that the orphan works problem causes for this category of uses, at least in Europe, it will be represented by the goat, which is by far the most innocent of the three animals comprising the Chimera.

One example of small-scale incidental use is the use of orphaned film footage in television-programs. Broadcasters generally clear the rights for the

49. *See* U.S. COPYRIGHT OFFICE (2006), *supra* note 3, at 13.

50. VAN EECHOUD ET AL., *supra* note 10, at 272.

51. For this reason, the U.S. Copyright Office has suggested introducing a limitation on injunctive relief for situations where an orphan work is incorporated into a derivative work, but not for cases in which orphan works are used without transformation of the content. *See* U.S. COPYRIGHT OFFICE (2006), *supra* note 3, at 120.

majority of works included in a broadcast, e.g., via agreements with collective rights management organizations, film studios, and other right owners. Sometimes, however, they may want to include works that are not covered by these agreements, such as archived materials, the right owners of which are not always known. In such cases, while it is impossible to appropriately clear all the rights, broadcasters may nonetheless decide to use the work, as the risks involved are not particularly high. First, if licenses have been properly arranged for the majority of works, the chances that an unrepresented right owner reappears seem limited. Moreover, by the time that the right owner comes forward, the television-program will most probably have already been broadcast. This would render filing an injunction claim useless, given that it would only prohibit future occasions. Consequently, should a right owner come forward, he or she can claim monetary awards at best. Broadcasters can reserve monetary funds to recompense resurfaced right owners for this purpose. In Europe, this already occurs in practice.[52]

Another example is the inclusion of orphaned images in CD or DVD booklets. Entertainment companies will most likely have cleared the rights in the layout, the artwork, and the design of such booklets and certainly in the recorded music and film works. Nevertheless, in practice it may happen that, incidentally, for some works the necessary permission cannot be arranged for the simple reason that the copyright holders are unknown or untraceable. For example, in the case of photos of "old" artists of whom only a handful of photos are available, identifying who owns the rights in the photographic

52. Broadcasters that incidentally use an orphan work in a television broadcast often indicate this by including a legal disclaimer in the closing credits inviting a reappearing right holder to contact them to get reimbursement for the use made. *See infra* Section III.C. This suggests that they have reserved some funds for this purpose. The Dutch broadcasting organization NPS for example sometimes uses the following disclaimer:

> De NPS heeft haar uiterste best gedaan om alle rechthebbenden van door ons gebruikt archiefmateriaal te achterhalen. Indien een persoon of bedrijf echter kan aantonen dat haar toestemming m.b.t. door ons gebruikt archiefmateriaal was vereist, dan verzoeken wij deze om binnen twee maanden na uitzending contact met ons op te nemen.

Translated from the original Dutch:

> The NPS has done her utmost best to trace all right holders of the archival materials used. If a person or company can nevertheless demonstrate that her permission was required for our usage of the archival materials, then we kindly request this person or company to contact us within two months after the broadcast.

works may not always be an easy task.[53] Here again, the legal uncertainty of using such photos without prior authorization may be fairly limited. A reappeared right owner may of course seek injunctive relief. However, if a risk assessment shows that the chances of this are limited, a record company may well bear such risk, because changing a booklet of a CD or DVD does not incur prohibitive costs. Furthermore, if a right owner comes forward, he or she may well choose to settle for monetary awards, rather than start a lengthy and costly legal proceeding to put an end to this use.[54] It could therefore prove satisfactory to create an escrow account for compensating reappeared right holders.[55]

Admittedly, in both examples, the use in question infringes the exclusive rights of copyright owners. Clearly this must not be understood as carte blanche for users to use a work without undertaking a diligent search to find the right owner in order to ask for consent and arrange payment for the use made.[56] Although identifying and locating right holders may well be a difficult and time-consuming process,[57] this does not exempt prospective users from spending sufficient time and resources in seeking permission.[58] The fact that a right owner of a work is unknown or unlocatable should not, at the same time, be an absolute impediment to the reutilization of such work. There ought to be a balance between the two. The two cases show that, within the confines of current legislation and without sacrificing legal certainty for users or prejudicing the legitimate interests of right holders, users in Europe may already find ways to incidentally use orphan works.

In the United States, on the other hand, it would be impossible for users to make small-scale incidental uses of orphan works without facing the risk

53. *See, e.g.*, VAN EECHOUD ET AL., *supra* note 10, at 263 (stating that "it is more likely that works become orphaned as they grow older").

54. *See* WILLIAM M. LANDES, *An Empirical Analysis of Intellectual Property Litigation: Some Preliminary Results*, 41 HOUS. L. REV. 749, 753–57, 767 (2004) (suggesting that, from an economic point of view, "an overall increase in the costs of going to trial relative to the costs of settling should reduce the number of cases filed, terminated, and tried.").

55. *See* COMITÉ DES SAGES, THE NEW RENAISSANCE, 18 ¶ 5.3.2.2(vi) (2011), *available at* http://ec.europa.eu/information_society/activities/digital_libraries/doc/refgroup/final_report_cds.pdf (recommending an escrow account).

56. In 2006, certain groups of right holders, including photographers, illustrators, and graphic artists, expressed the fear that their works would unjustly be labeled as orphan works and used without prior authorization under the proposed limitation on remedy rule in the United States. *See Orphan Works: Proposals for a Legis. Solution: Hearing before the Subcomm. on Intell. Prop. of the Comm. on the Judiciary of the U.S. Senate*, 109th Cong. 7–8, 10–12, 85–87, 95–99 (2006) (statements of Victor Perlman and Brad Holland).

57. *See* COVEY, *supra* note 33, at 21, 24, 35.

58. *See* HUGENHOLTZ ET AL., *supra* note 1, at 167.

of becoming liable for payment of statutory damages.[59] This may constitute a real obstacle for users hoping to engage with secondary uses of orphan works similar to the ones discussed here. As will be argued in Section III.C, *infra*, addressing this matter would require the United States, but not Europe, to take action.

III. A MULTIFACETED STRATEGY TO DEFEAT THE ORPHAN WORKS CHIMERA

The analysis in Part II, *supra*, reveals that the orphan works problem has different legal implications for different types of uses. Tackling it effectively would therefore require taking action on multiple fronts. Differentiating between the three manifestations of the problem, as metaphorically represented by the animals that comprise the Chimera, this Part describes the multifaceted strategy that could be used to address the orphan works problem. The strategy is not aimed at slaying the Chimera entirely, but rather at taming the lion, killing the serpent, and restraining the goat. It suggests tackling the problem by introducing collective licensing mechanisms for mass-digitization projects (Section III.A), adopting approaches based on diligent search requirements for transformative and derivative uses (Section III.B), and relying on practical legal solutions for small-scale incidental uses (Section III.C).

A. TAMING THE LION: INTRODUCING COLLECTIVE LICENSING MECHANISMS FOR MASS-DIGITIZATION PROJECTS

As observed in Section II.A, *supra*, the legal uncertainty that the problem of orphan works creates for mass-digitization projects is directly related to the large amount of works that are being reutilized. Due to the scale of use, clearing rights on an individual basis would be too costly for most of these projects. Legislative models based on a requirement to conduct a diligent search for the right owners of a work therefore would not offer a sound solution for such projects.[60] A better approach would be to adopt a model

59. *See infra* Section III.C.

60. For this reason, the Orphan Works Directive, *see supra* note 5, is highly criticized by European scholars. It aims at facilitating the digitization and online access of materials stored in libraries, museums, and archives through a system of mutual recognition of national solutions for orphan works that are premised on the requirement to conduct a diligent search for the right owner. *See* Van Gompel, *Het richtlijnvoorstel verweesde werken: Een kritische beschouwing*, *supra* note 24, at 216–17; Allard Ringnalda, *De voorgestelde richtlijn Verweesde Werken: op naar een Europese internetbibliotheek?*, 27 INTELLECTUELE EIGENDOM EN RECLAMERECHT 387, 391 (2011); *See generally* Robin Kerremans, *A critical view on the European draft directive for orphan works*, 2 QUEEN MARY J. INTELL. PROP. 38 (2012).

based on collective licensing.[61] Collective licensing has the advantage of enabling users to obtain a license to use a multitude of works with a single transaction. Accordingly, right holders need not be traced and asked for permission on an individual basis. Collective agreements thus provide an efficient tool for mass-reutilization projects, which by definition require rights clearance for a myriad of works.[62]

The collective licensing of rights also alleviates the problem of orphan works. If a collective rights management organization ("CRMO") has been established and it represents a significant part of right holders in a given field, there is a reasonable likelihood that the particular right owner the user is looking for will also be represented.[63] In that case, users face fewer difficulties in finding the right owners whose works they intend to use. Yet, if a right owner is not represented by that CRMO, a user may still face considerable uncertainties.[64]

There are different legal techniques, however, to ensure that CRMOs can issue fully covering licenses to users of copyrighted works.[65] One such technique is extended collective licensing ("ECL"), which is applied in various sectors in Denmark, Finland, Norway, Sweden, and Iceland.[66] The most characteristic feature of the ECL scheme is that the law gives extended effect to a freely negotiated collective licensing agreement concluded

61. VAN EECHOUD ET AL., *supra* note 10, at 278.

62. Allard Ringnalda, *Orphan Works, Mass Rights Clearance, and Online Libraries: The Flaws of the Draft Orphan Works Directive and Extended Collective Licensing as a Solution*, 8 MEDIEN UND RECHT INT'L 3 (2011).

63. Stef van Gompel & P.B. Hugenholtz, *The Orphan Works Problem: The Copyright Conundrum of Digitizing Large-Scale Audiovisual Archives, and How to Solve it*, 8 POPULAR COMM. 61, 65 (2010).

64. *See* Jean-François Debarnot, *Les droits des auteurs des programmes du fonds de l'INA exploités sur son site Internet*, 232 LÉGIPRESSE 93, 93–94 (2006) (indicating that the collective agreement concluded in France between the National Audiovisual Institute (INA) and five French CRMOs, authorizing the use of the entire CRMOs' audiovisual and sound catalog available in INA's archive for any mode of exploitation, does not cover the repertoire of right holders who are not members of any of the five CRMOs and that, as a result, INA still needs to identify and locate these, perhaps unknown, right holders to clear the rights of the works not covered by the agreement).

65. *See generally* Van Gompel (2007), *supra* note 1, at 686–91; VAN EECHOUD ET AL., *supra* note 10, at 278–82 (discussing four legal techniques enabling CRMOs to issue "blanket"—i.e., fully covering—licenses: extended collective licensing, legal presumption of representation, contracts with indemnity clauses, and mandatory collective rights management).

66. *See* Tarja Koskinen-Olsson, *Collective management in the Nordic countries*, *in* COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 283, 283 (Daniel Gervais ed., Kluwer Law International 2nd ed. 2010); AXHAMN & GUIBAULT, *supra* note 9, at 25–60.

between a representative CRMO and a user or a group of users.[67] While the collective licensing system is premised on a voluntary transfer of rights from right holders to a CRMO, the extended effect ensures that the collective licensing agreement to which the ECL rules apply also covers the repertoire of right holders who are not members of the CRMO.[68] A condition is that the CRMO is sufficiently representative, meaning that a substantial number of right holders in a given category must have entrusted it with the exploitation of their rights.[69]

Since the ECL provisions extend the operation of particular collective licensing agreements to all right holders in the given field, irrespective of whether they are domestic or foreign, the agreements also automatically cover the heirs of deceased right holders and all right holders that are unknown or untraceable.[70] This greatly facilitates the clearance of rights, since a user may obtain a license to use all works covered by the license without the risk of infringing the rights of right owners who otherwise would not be represented. In fact, the rationale of the system of ECL has always been to facilitate the licensing in case of massive uses for which it would be impossible for users to clear all the necessary rights.[71]

To protect the interests of right holders who have not mandated the CRMO to exploit the rights on their behalf, the law in the Nordic countries often contains two possibilities for right holders to stop (fully) participating in the ECL scheme: they have the right to claim individual remuneration, or to "opt out" from the ECL altogether.[72] This allows non-represented right holders to negotiate a higher licensing fee and/or to enforce their copyrights against an exploiter on an individual basis.[73]

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67. Daniel Gervais, *Collective Management of Copyright: Theory and Practice in the Digital Age*, *in* COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 1, 21 (Daniel Gervais ed., Kluwer Law International 2nd ed. 2010).

68. *See* AXHAMN & GUIBAULT, *supra* note 9, at vii (referring to these non-represented right holders as "outsiders").

69. *See* Henry Olsson, *The Extended Collective License as Applied in the Nordic Countries*, KOPINOR 25TH ANNIVERSARY INT'L SYMPOSIUM, § 6.2 (Oct. 3, 2010), *available at* http://www.kopinor.no/en/copyright/extended-collective-license/documents/the-extended-collective-license-as-applied-in-the-nordic-countries.

70. Gervais, *supra* note 67, at 21. *See also* Marco Ricolfi, *Digital Libraries in the Current Legal and Educational Environment: a European Perspective*, *in* GLOBAL COPYRIGHT: THREE HUNDRED YEARS SINCE THE STATUTE OF ANNE, FROM 1709 TO CYBERSPACE 216, 223–24 (Lionel Bently et al. eds. 2010).

71. Olsson, *supra* note 69, § 3.

72. Van Gompel & Hugenholtz, *supra* note 63, at 66. For a description of these exit options under the ECL schemes of the Nordic countries, see Olsson, *supra* note 69, § 6.4.

73. It has been argued that the process of "opting out" should be fairly simple and straightforward to prevent it from becoming a de facto formality prohibited by art. 5(2)

From the perspective of users, the system of ECL may offer a valuable solution to the orphan works problem. The extended effect of the ECL assures that a collective licensing agreement is fully covering and "applies to all right holders in the given field (except to those who have explicitly opted out from the system)."[74] Consequently, under the system of ECL, users no longer have to anticipate unexpected claims from non-represented right holders. Therefore, an ECL agreement "provides re-users of existing works with a considerable extent of legal certainty that they require."[75]

From the perspective of right holders, on the other hand, introducing an ECL would be quite a radical solution. Therefore, if a system like this would be established,

> [it] should only be applied in cases where there is a clear public interest at stake. Examples include the exploitation of past archive productions of public broadcasting organisations for on demand services; or the exploitation of copyrighted works included in the collection of archives, museums, libraries or educational institutions for specific purposes such as public exhibition, private studying, teaching or scientific research.[76]

An often-claimed disadvantage of the ECL model is that it requires an upfront payment of royalties that cannot be properly distributed to the rightful copyright owners as long as they remain unknown or untraceable.[77] The model therefore is said to come at a high price.[78] For mass-digitization projects, however, it seems that the additional costs of a license that covers

Berne Convention. *See* Mihály Ficsor, *Collective Management of Copyright and Related Rights from the Viewpoint of International Norms and the Acquis Communautaire*, *in* COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 29, 62 (Daniel Gervais ed., Kluwer Law International 2nd ed. 2010). *But see* Gervais, *supra* note 67, at 22–27; AXHAMN & GUIBAULT, *supra* note 9, at 46; Stef VAN GOMPEL, FORMALITIES IN COPYRIGHT LAW: AN ANALYSIS OF THEIR HISTORY, RATIONALES AND POSSIBLE FUTURE 209–11 (Info. Law Ser. 23, Kluwer Law International 2011) (contending that the "opt out" mechanism under the ECL system does not constitute a formality prohibited by the Berne Convention).

74. VAN EECHOUD ET AL., *supra* note 10, at 280.

75. *Id.* at 280. *But see* Van Gompel & Hugenholtz, *supra* note 63, at 66 (indicating that the Nordic system of ECL, "albeit highly practical and attractive, cannot provide complete certainty to prospective users" because right holders who opt out are no longer covered by it). To enhance certainty, however, the names and contact details of right holders opting out of the ECL could be recorded in a database. *See* VAN EECHOUD ET AL., *supra* note 10, at 280 n.859.

76. HUGENHOLTZ ET AL., *supra* note 1, at 194.

77. *See Collective Management of Copyright: Solution or Sacrifice? Panel: Collective Licensing for Digitizing Analog Materials*, 34 COLUM. J.L. & ARTS 747, 747–48 (2011).

78. Katharina de la Durantaye, *How to Build an Orphanage, and Why*, 2 J. INTELL. PROP. INFO. TECH. & E-COMMERCE L. 226, 228–29 (2011).

orphan works do not outweigh the benefits that collective licensing has over individual rights clearance. A study by the British Library shows that searching for right holders on a work-by-work basis is very costly in terms of staff time.[79] Furthermore, the non-distributable royalties accumulating in the ECL system could perhaps be used for other purposes, e.g., "for cultural aims [including the funding of new mass-digitization projects], or for the creation of databases of rights management information that will prevent future works from becoming 'orphaned.' "[80]

Difficulties may arise, moreover, in the practical implementation of an ECL regime. Since the success of it fully depends on the conclusion of contracts between users and CRMOs that represent a sufficient number of right holders, CRMOs should already be operating in those fields where the orphan works problem is most pressing. This is currently not the case. In Europe, collective rights management is underdeveloped in the photographic and audiovisual fields, in particular. Right owners in those areas often are cautious to participate in collective licensing schemes and prefer to manage their rights individually. This may prevent the ECL model from becoming a successful solution to the problem of orphan works.[81]

Collective exercise of rights is conceivably much more poorly developed in the United States than in Europe.[82] The recently rejected Google Books Settlement can illustrate this. In the absence of relevant CRMOs, the settlement would have required the creation of a Books Rights Registry. This proposed Registry would collect the royalties that Google had to pay for the digitization, make the books available to the public, and distribute royalties among relevant right owners. Thus, the Registry effectively would be a new CRMO for the administration of the rights of authors whose works were

79. BARBARA STRATTON, SEEKING NEW LANDSCAPES: A RIGHTS CLEARANCE STUDY IN THE CONTEXT OF MASS DIGITISATION OF 140 BOOKS PUBLISHED BETWEEN 1870 AND 2010, 5 (2011), *available at* http://www.arrow-net.eu/sites/default/files/Seeking%20New%20Landscapes.pdf (indicating as one of the key findings that "[o]n average it took 4 hours per book to undertake a 'diligent search.' ").

80. HUGENHOLTZ ET AL., *supra* note 1, at 194–95. *See also* Van Gompel, *supra* note 1, at 701. To prevent the non-distributable royalties in an ECL scheme from accumulating too heavily, CRMOs could be ordered, in fixing the price for a license, to take into account the number of unrepresented right holders in the particular field and/or the estimated number of orphan works that would likely be used by the user to whom the license is granted.

81. VAN EECHOUD ET AL., *supra* note 10, at 279.

82. *See* Goldstein, *supra* note 11, at 706 (indicating that, because of "the narrowness of their focus," copyright collecting societies in the United States offer "a comparably less satisfactory solution" than in other countries around the world). For an overview of collective licensing in the United States, *see* Glynn Lunney, *Copyright Collectives and Collecting Societies: The United States Experience*, *in* COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 29, 62 (Daniel Gervais ed., Kluwer Law International 2nd ed. 2010).

covered by the settlement.[83] Interestingly, because the settlement was negotiated between the parties in a class action lawsuit, it would have bound all copyright owners in the relevant class, had the court approved it. This would have given the Google Books Settlement an extended effect similar to the ECL system.[84]

B. KILLING THE SERPENT: APPROACHES BASED ON DILIGENT SEARCH REQUIREMENTS FOR TRANSFORMATIVE OR DERIVATIVE WORKS

A collective licensing system as discussed in Section III.A, *supra*, would not offer a suitable model for enabling transformative or derivative uses of orphan works. In comparison with mass-digitization projects, derivative works usually incorporate pre-existing works at a relatively small scale. It should cause no difficulties for transformative users, therefore, to perform a good faith search for the right owners of these works. Accordingly, an approach based on a diligent search requirement could provide ample relief for this category of users. Because injunction claims are by far the most serious cause of legal uncertainty for transformative users,[85] it seems elementary that a legislative model provides bona fide users with adequate legal safeguards to properly eliminate this uncertainty.

In practice, there are various orphan-works-tailored legislative models that are premised on a diligent search.[86] One example is the limitation on remedy rule that was proposed by the U.S. Copyright Office in 2006 and was subsequently introduced, with some minor amendments, as a bill—the Orphan Works Act—in the U.S. Congress.[87] The rule would have limited the liability of those users who use an orphan work after an unsuccessful but reasonable search for the right owner has been conducted. It would not have eliminated the infringing nature of the use, but offered to good faith users of orphan works a closed set of remedies should the right owner reappear and start litigation over the use of the work. To qualify for this limited liability rule, the user would need to prove that he or she performed a "reasonably

83. Grimmelmann, *supra* note 29, at 13.

84. Samuelson, *supra* note 29, at 517 n.192.

85. *See supra* Section II.B.

86. *See* van Gompel, *supra* note 1, at 691–99. *See generally* VAN EECHOUD ET AL., *supra* note 10, at 282–94 (reviewing the legislative models).

87. U.S. COPYRIGHT OFFICE (2006), *supra* note 3, at 71–89. The limitation on remedy rule found its way into the Orphan Works Act of 2006, H.R. 5439, 109th Cong. (2006) and the Copyright Modernization Act of 2006, H.R. 6052, 109th Cong. (2006). These bills died with the end of the Bush presidency. Later, two other bills were introduced, namely the Orphan Works Act of 2008, H.R. 5889, 110th Cong. (2008) and the Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (2008).

diligent search"[88] and, if possible and reasonably appropriate, to have provided attribution to the author or copyright owner of the work.[89]

The proposed liability rule limits monetary relief to "reasonable compensation" for the use made. This should relate to a reasonable license fee as would have been established in negotiations between the user and right owner before the infringing use began.[90] However, if the use was non-commercial and the user expeditiously ceases the infringement upon a notice by the rights owner, no monetary relief is due at all.[91] More importantly for transformative users is the limitation on injunctive relief. Where an orphan work has been incorporated into a derivative work, the copyright owner cannot obtain full injunctive relief to prevent the use of the derivative work, provided that the user pays a reasonable compensation and grants sufficient attribution to the right owner.[92] Full injunctive relief remains available in cases where orphan works are used without any transformation of their content.

The proposed limitation on remedy rule is claimed to be a cost-efficient model in that it does not require users to compensate right owners in advance, but only in case they reappear and file a claim.[93] Still, the rule imposes several costs on users, including

- the costs of keeping records for being able to prove the diligence of search;
- the costs of assessing the likeliness of future claims; and

88. While the U.S. Copyright Office's 2006 report, House Bill 5439, and House Bill 6052 speak of a "reasonably diligent search," the House Bill 5889 and Senate Bill 2913 refer to a "qualifying search, in good faith" and define the criteria required for conducting such search. *See* U.S. COPYRIGHT OFFICE (2006), *supra* note 3, at 96–110; H.R. 5439; H.R. 6052; H.R. 5889; S. 2913. However, they do not describe them in minuscule detail, as search standards may well evolve with technology and will vary according to the creative sector and the nature of the use. *See* Jane C. Ginsburg, *Recent Developments in US Copyright Law: Part I – "Orphan" Works*, 217 REVUE INTERNATIONALE DU DROIT D'AUTEUR 99, 137 (2008).

89. The idea is that it should be unambiguously clear to the public that the work rightfully belongs to the author or copyright owner, and not to the user in question. *See* U.S. COPYRIGHT OFFICE (2006), *supra* note 3, at 110–12.

90. *See* Ginsburg, *supra* note 88, at 115–21 (considering reasonable compensation and what it includes). Note that House Bill 5889 allows courts to award extra compensation in case the orphan work has been registered. *See* H.R. 5889.

91. Under House Bill 5889, the beneficiaries of this "safe harbor" rule are non-profit educational institutions, libraries, archives and public broadcasting entities. *See* H.R. 5889. Senate Bill 2913 adds museums to this list. *See* S. 2913.

92. *See* Ginsburg, *supra* note 88, at 121–29 (criticizing the unavailability of injunctive relief for right holders whose works have been incorporated into a derivative work).

93. U.S. COPYRIGHT OFFICE (2006), *supra* note 3, at 115.

- the costs that arise in case a right holder reappears, including costs of litigation and of paying reasonable compensation after a successful litigation.[94]

Moreover, it does not make effective use of the judicial system, because right holders are still required to file lawsuits against infringing users.[95] This casts doubts upon the actual cost efficiency of the rule.

Another question is whether the limitation on remedy rule would actually provide the legal certainty that transformative users require. This first depends on how courts would interpret the requirement of a "reasonably diligent search," which is not well circumscribed in the proposals.[96] Even if that requirement were sufficiently clear, users would still face considerable difficulties if they had to convince a court ex post of the reasonableness of a search, especially where the search was conducted a long time ago. To provide evidence in court, they would need to exactly document each and every search they have made, and keep records thereof, possibly for an indefinite period of time. However, given the relatively small proportion of orphan works that would normally be incorporated into derivative works, transformative users would probably not perceive this as too big a problem to handle.

A second model, which would have advantages and disadvantages similar to those of the United States' limitation on remedy rule, would be a specific exception or limitation for orphan works, as proposed by groups of

94. HUGENHOLTZ ET AL., *supra* note 1, at 190; Van Gompel, *supra* note 1, at 696; VAN EECHOUD ET AL., *supra* note 10, at 291.

95. Ginsburg, *supra* note 88, at 130–31. House Bill 5889 and Senate Bill 2913 state that before users can invoke the limitation on remedy rule in courts, they must first try to negotiate reasonable compensation in good faith with the copyright holder and, if agreement is reached, render payment of the compensation in a reasonably timely manner. *See* H.R. 5889; S. 2913. Negotiations of this kind appear to be aimed at keeping infringement claims out of the courts.

96. *See* Benjamin T. Hickman, *Can You Find a Home for This "Orphan" Copyright Work? A Statutory Solution for Copyright-Protected Works Whose Owners Cannot be Located*, 57 SYRACUSE L. REV. 123, 149 (2006) (criticizing the U.S. Copyright Office's 2006 proposal "for not defin[ing] the steps a user would need to take to satisfy a reasonably diligent search"). Clarity on the meaning of a diligent search is also required to prevent works from being inaccurately labeled as orphans, thus ensuring that the legitimate interests of right holders are not unreasonably prejudiced. This should guarantee compliance of the rule with the three-step test of Art. 13 TRIPS Agreement. *See* Coree Thompson, Note, *Orphan Works, U.S. Copyright Law, and International Treaties: Reconciling Differences to Create a Brighter Future for Orphans Everywhere*, 23 ARIZ. J. INT'L & COMP. L. 787, 832–39 (2006); Ginsburg, *supra* note 88, at 139–41 (arguing that "the level of diligence should be set consistently high").

stakeholders in the United Kingdom and Germany.[97] The orphan works exception would generally permit the use of an orphan work if despite reasonable search efforts[98] the right owner of the work could not be found. Once they reemerge, the right owners of works used under the exception are entitled by law to claim reasonable compensation for the use made.[99] The amount of compensation should either be agreed by negotiation, the failure of which shall result in the compensation being fixed by an independent third party, or set unilaterally by a CRMO.[100] Subsequent use of the work would be allowed only if the user succeeds in negotiating the terms of use with the right owner in the usual way. Where the work has been integrated or transformed into a derivative work, however, users should be allowed to continue using the work provided that a reasonable royalty is paid and sufficient acknowledgement is given to the right owner.[101]

A key difference with the U.S. liability rule is that, in the U.S. proposal, users of orphan works are deemed infringers, yet their liability is limited if they meet the statutory criteria. Under the orphan works exception, on the other hand, users of orphan works would not legally infringe any rights, provided that their use remains within the margins of the law. Moreover, resurfaced right holders do not have to sue for copyright infringement, as under the U.S. proposal, but can directly claim the compensation available under the exception. Right holders seeking compensation are thus released

97. *See* BRITISH SCREEN ADVISORY COUNCIL, *supra* note 6; Aktionsbündnis Urheberrecht, *supra* note 7. *See also* Gowers Review, *supra* note 7, at 69–72, Recommendation 13.

98. The BSAC proposal speaks of "best endeavours," while the Aktionsbündnis Urheberrecht refers to "a reasonable professional and documented search" ("*einer angemessenen professionellen und dokomentierten Suche*"). BRITISH SCREEN ADVISORY COUNCIL, *supra* note 6; Aktionsbündnis Urheberrecht, *supra* note 7.

99. The reasonable compensation is called "reasonable royalty" in the BSAC proposal and "reasonable remuneration" ("*angemessene Vergütung*") in the proposal of the Aktionsbündnis Urheberrecht. BRITISH SCREEN ADVISORY COUNCIL, *supra* note 6; Aktionsbündnis Urheberrecht, *supra* note 7.

100. The former is proposed by the BSAC, the latter by the Aktionsbündnis Urheberrecht. BRITISH SCREEN ADVISORY COUNCIL, *supra* note 6; Aktionsbündnis Urheberrecht, *supra* note 7.

101. Provision for subsequent usage of a previously orphaned work is only contained in the BSAC proposal. BRITISH SCREEN ADVISORY COUNCIL, *supra* note 6, at 33. The proposal of the Aktionsbündnis Urheberrecht contains no such rule. It generally states that right holders stepping forward cannot prevent the making available of their works by users who have satisfied the conditions set by law. The reason for this may perhaps be that the exception proposed by the Aktionsbündnis Urheberrecht is limited to the making available of orphan works ("*die öffentliche Zugänglichmachung von Werken, deren Urheber oder Rechteinhaber . . . nicht ermittelt werden können*"), thus excluding other uses such as the making of derivative works. *See* Aktionsbündnis Urheberrecht, *supra* note 7, at 1.

from initiating (possibly costly) court proceedings against users. Lawsuits would arise only if a right holder contests the reasonableness of a user's search, if a user fails to compensate a right holder for the use made, or if there is disagreement between right holders and users about the reasonableness of the compensation to be paid under the orphan works exception.[102]

Other than this, the two models have comparable effects. Similar to the U.S. limitation on remedy rule, the orphan works exception would offer adequate legal certainty to users of orphan works only if the standards for a reasonable search are sufficiently clear.[103] In addition, as under the U.S. proposal, the correct application of the exception is tested only ex post, i.e., once the right holder has reappeared. This would require good faith users of orphan works to document their searches well and maintain adequate search records to prove the reasonableness of the search in case a right holder contests it and files a lawsuit against the user.[104]

A third model that would provide optimal legal certainty to users of orphan works, yet is also the most costly in terms of establishment, maintenance, and operation, is the Canadian system that offers compulsory licenses to use orphan works. Pursuant to the Canadian Copyright Act, a user can apply to the Canadian Copyright Board to obtain a license to use a particular work in those cases where the identity or whereabouts of the rights owner cannot be ascertained by reasonable inquiry.[105] The Copyright Board must be satisfied that the applicant has made "reasonable efforts" to find the right owner before a license may be issued.[106] The purpose for which the

102. *See* VAN EECHOUD ET AL., *supra* note 10, at 293.

103. Providing clarity on the criteria that define a reasonable search seems also necessary to ensure that an orphan works exception is in compliance with the three-step test laid down inter alia in Art. 13 TRIPS Agreement. *See* G. Spindler & J. Heckmann, *Retrodigitalisierung verwaister Printpublikationen: Die Nutzungsmöglichkeiten von "orphan works" de lege lata und ferenda*, *GRUR Int.* 271, 281–83 (2008).

104. *See* Van Gompel, *supra* note 1, at 699; VAN EECHOUD ET AL., *supra* note 10, at 293.

105. Copyright Act, R.S.C. 1985, c. C-42, art. 77 (Can.). For comparable systems in other countries, *see supra* note 8.

106. It is not required that "every effort" has been made to trace the right holder, but an applicant must prove to have conducted a "thorough search." To that end, the applicant is advised to contact different CRMOs and publishing houses; to consult libraries, universities, and museums; to check the registers of copyright offices; to investigate inheritance records; and to simply search the Internet. *See* CANADIAN COPYRIGHT BOARD, UNLOCATABLE COPYRIGHT OWNERS (2001), *available at* http://www.cb-cda.gc.ca/unlocatable-introuvables/brochure2-e.html.

license is requested—e.g., commercial, educational, or religious—is irrelevant.[107]

Once the Copyright Board is convinced that the applicant cannot locate the copyright owner despite reasonable efforts, it may grant a license regardless of whether the work is of domestic or foreign origin.[108] A license cannot be granted for works that are unpublished or works for which the publication status cannot be confirmed.[109] However, the Copyright Board has sometimes presumed prior publication if conclusive evidence was hard to come by, but the circumstances nevertheless indicated the likeliness of publication.[110]

The Copyright Board has full discretion to establish the appropriate terms and license fees in the circumstances of each particular case.[111] The license usually specifies the type of use that is authorized, the restrictions to this use, the expiry date, and other parameters. As a rule, it is non-exclusive and limited to the Canadian dominion. The Copyright Board cannot issue

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107. LAURENT CARRIÈRE, UNLOCATABLE COPYRIGHT OWNERS: SOME COMMENTS ON THE LICENSING SCHEME OF SECTION 77 OF THE CANADIAN COPYRIGHT ACT § 5.2.4, at 9 (1998), *available at* http://www.robic.ca/admin/pdf/277/103-LC.pdf.

108. *See, e.g.*, *Licence Application by the National Film Board of Canada for the Use of a Musical Work*, 2005-UO/TI-34 (Sept. 13, 2005) (application denied). Interestingly, in 21% of the applications filed, the Copyright Board manages to find the copyright owner before a license is issued. *See* Justice William J. Vancise, Chairman, Copyright Bd. of Can., Speech at a Seminar Jointly Sponsored by the Intellectual Property Institute of Canada and McGill University, at 5 (Aug. 15, 2007), *available at* http://www.cb-cda.gc.ca/about-apropos/speeches-discours/20070815.pdf.

109. Jerry Brito & Bridget Dooling, *An Orphan Works Affirmative Defense to Copyright Infringement Actions*, 12 MICH. TELECOMM. & TECH. L. REV. 75, 106 (2005), *available at* http://www.mttlr.org/voltwelve/brito&dooling.pdf. The fact that the licensing scheme applies only to published works ensures that the moral right of the author to decide whether or not to make his or her work available to the public (i.e., the *droit de divulgation*) is respected. Yet, it can be viewed as a shortcoming of the system, as it is not always easy to resolve whether an old work or a photograph has ever been published. *But cf.* Peter B. Hirtle, *Unpublished Materials, New Technologies, and Copyright: Facilitating Scholarly Uses*, 49 J. COPYRIGHT SOC'Y U.S.A. 259, 265 (2001) (noting that the Internet has made it easier to discover if a work has previously been published).

110. *See, e.g.*, Copyright Board Canada, File 1991-15, *Non-exclusive licence issued to U.P. Productions, Inc., Scarborough, Ontario, authorizing the reproduction of extracts from a published work* (Mar. 26, 1992) (accepting that the 1937 cartoon *Popeye: Lost and Foundry* has been published, although there was only circumstantial evidence relating to its distribution). *But see, e.g.*, *Licence Application by the Canadian Centre for Architecture for the Reproduction of Photographs*, 2004-UO/TI-32 (Jan. 17, 2005) (application denied); *Licence Application by the Office of the Lieutenant Governor of Québec for the Reproduction of a Photograph*, 2004-UO/TI-37 (Mar. 3, 2005) (application denied).

111. *See, e.g.*, *Licence Application by Breakthrough Films & Television for the Reproduction Through Off-Camera narration of Book Extracts in a Television Program*, 2004-UO/TI-33 (May 10, 2005). *See also* Vancise, *supra* note 108, at 6.

licenses beyond its own territory. The license also stipulates a royalty fee,[112] which often corresponds to an ordinary royalty rate as would have been made in consideration of consent being given.[113]

In most cases, the royalty fee is paid directly to the CRMO that would normally represent the untraceable right owner, but sometimes it must be deposited into an escrow account or trust fund. If the copyright owner surfaces, he may collect the royalties fixed in the license. If no right owner comes forward within five years after the expiry of the license,[114] the collected royalty fee may be used for other purposes than those relating to the use in question.[115]

The Canadian model is often criticized for requiring an upfront payment of royalties that may never be distributed to the rightful copyright owner, due to the fact that they are unknown or untraceable.[116] However, such disadvantage is the unintended result of a solution to a general market failure and therefore may need to be taken for granted. As in the ECL model, the non-distributable royalties could be used for cultural purposes or for establishing mechanisms that help to alleviate the problem of orphan works in the future. While this may imply that users end up paying royalties for means other than those relating to the use in question, it may be the price that a user needs to pay for the legal certainty to use an orphan work for which he or she would otherwise not be able to obtain the required permission.[117]

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112. *See* Vancise, *supra* note 108, at 7 (giving reasons why the Copyright Board requires a royalty to be paid, even though the copyright owner is unknown and may perhaps never come forward).

113. *See* Carrière, *supra* note 107, at 9 (clarifying that the Copyright Board, in ascertaining the royalties to be paid, applies ordinary indicators such as "the tariffs of collectives for similar grant, comparison with similar licences granted outside the licensing schemes of section 77 or the circumstances and purposes of the requested licence"). There are cases involving charity-type uses, or situations where it is most likely that a work has entered the public domain, in which the Copyright Board requires the payment of royalties only if they are being claimed by a resurfaced copyright owner. *See, e.g.*, *Non-Exclusive Licence Issued to the Canadian Institute for Historical Microreproductions Authorizing the Reproduction of 1,048 Works*, 1993-UO/TI-5 (Sept. 18, 1996). *See also* Vancise, *supra* note 108, at 7.

114. The statutory cut-off date to recover royalties is laid down in Copyright Act, R.S.C. 1985, c. C-42, art. 77(3) (Can.).

115. *See* CANADIAN COPYRIGHT BOARD, *supra* note 106 (explaining that the Copyright Board may for example instruct a CRMO to use the undistributed fees for the general benefit of its members).

116. *See, e.g.*, De la Durantaye, *supra* note 78, ¶ 36.

117. *See* HUGENHOLTZ ET AL., *supra* note 1, at 194–95; Van Gompel, *supra* note 1, at 701.

Another more practical obstacle is that the legal infrastructure that would be required for a Canadian-style system is currently not available in all countries. There are many examples of countries that have no copyright board or tribunal that could clear the rights for orphan works.[118] Nevertheless, a specialized court could always be entrusted with this task.[119] A further strand of criticism extends to the operating costs of the Canadian model. The pre-clearance of orphan works by a public authority is said to be an expensive and lengthy process.[120] Although this may certainly hold true to a certain degree, it should not be exaggerated. The procedure to obtain a license at the Copyright Board is free of charge. The Canadian Copyright Board moreover indicates that, once it has received all the required information, a decision can usually be issued within thirty to forty-five days.[121]

The key advantage of the Canadian model is that it offers adequate legal certainty to users of orphan works. A license granted by the Copyright Board authorizes the user to use an orphan work without the risk of an infringement claim should the right owner come forward. As the type of uses for which the Canadian Copyright Board can give authorization includes the making of adaptations,[122] obtaining a license would grant optimal relief to

118. *See* P.B. HUGENHOLTZ, ET AL., MINISTERIE VAN JUSTITIE, GESCHILLENBESLECHTING EN COLLECTIEF RECHTENBEHEER: OVER TARIEVEN, TRANSPARANTIE EN TRIBUNALEN IN HET AUTEURSRECHT [DISPUTE RESOLUTION AND COLLECTIVE MANAGEMENT OF RIGHTS: ON TARIFFS, TRANSPARENCY AND TRIBUNALS IN COPYRIGHT] (2007), *available at* http://www.ivir.nl/publicaties/hugenholtz/WODC_geschillenbeslechting_2007.pdf (examining the feasibility and desirability of creating a copyright tribunal in the Netherlands).

119. Van Gompel, *supra* note 1, at 694.

120. *See, e.g.*, Jerry Brito & Bridget Dooling, *supra* note 109, at 106–07; Dennis W.K. Khong, *Orphan Works, Abandonware and the Missing Market for Copyrighted Goods*, 15 INT'L J.L. & INFO. TECH. 54, 75 (2007). The opponents of the Canadian model also maintain that the inefficiency of the system is exposed by the small number of applications filed before the Board. Indeed, from 1989 through August 2012, the Copyright Board has issued only 264 licenses out of 272 applications that were filed. *See* Unlocatable Copyright Owners: Decisions/Licences Issued, COPYRIGHT BOARD OF CANADA, http://www.cb-cda.gc.ca/unlocatable-introuvables/licences-e.html (last visited Aug. 29, 2012). The relatively small number of applications, however, might also be due to other factors, for instance, by the inability of the Copyright Board to grant licenses other than for uses within Canada.

121. CANADIAN COPYRIGHT BOARD, *supra* note 106.

122. Copyright Act, R.S.C. 1985, c. C-42, art. 77(1) (Can.) allows licenses to be issued for uses specified in arts. 3, 15, 18 and 21. This includes the making of adaptations. *See* JEREMY DE BEER & MARIO BOUCHARD, CANADA'S "ORPHAN WORKS" REGIME: UNLOCATABLE COPYRIGHT OWNERS AND THE COPYRIGHT BOARD 11 (2009), *available at* http://www.cb-cda.gc.ca/about-apropos/2010-11-19-newstudy.pdf (explaining that Art. 3 Canadian Copyright Act covers "the right to produce, reproduce, perform, translate, convert, record, adapt, telecommunicate and exhibit a work in public").

users who wish to incorporate an orphan work into a derivative work. At the same time, the system does not unnecessarily compromise the legitimate interests of the right owners concerned.[123] First, the verification of the good faith of a user being performed by an independent public body serves the needs of prospective users while taking due account of right owners' concerns. Second, decisions to grant a license are made on a case-by-case basis, thereby avoiding disproportional prejudice to the principle of exclusive rights that is inherent to the copyright system. Third, the license is granted to a particular user for a specific kind of use only. Fourth, the system does not result in a loss of income for right holders. If a right holder resurfaces, he is compensated.

C. RESTRAINING THE GOAT: PRACTICAL LEGAL SOLUTIONS FOR SMALL-SCALE INCIDENTAL USES

The last category of uses for which it must be determined what would be the best approach to deal with orphan works is small-scale incidental uses. As observed in Section II.C, *supra*, in Europe, the problem of orphan works has a relatively small impact of these types of uses. This can in part be explained by the absence of statutory damages with a punitive nature in Europe and the fact that such uses are not always threatened by injunctions. Furthermore, orphan works certainly are not a "new" problem.[124] For centuries, users in Europe have coped with the difficulties in tracing the right owners of works.[125] Rather than not use these works, however, they have found practical ways to handle this situation.

First, in cases of small-scale incidental use of an orphan work that are not really harmed by a possible injunction, good faith users in Europe sometimes post a legal disclaimer, indicating that in good faith they used material of which they were unable to locate the right owner and ask for permission. An example from the Netherlands is the following disclaimer that features prominently in a CD booklet of Wim Sonneveld, a famous Dutch artist of the 1950–1970's:

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123. Moreover, the Canadian model appears compatible with the substantive minima of the Berne Convention, e.g., with the prohibition on formalities of Art. 5(2). *See* 1 Sam Ricketson & Jane C. Ginsburg, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND 329 (Oxford University Press 2d ed. 2006).

124. *See* HUGENHOLTZ ET AL., *supra* note 1, at 162.

125. *See* P. Bernt Hugenholtz & Annemique M.E. de Kroon, *The Electronic Rights War: Who Owns the Rights to New Digital Uses of Existing Works of authorship?*, 4 IRIS 16, 16 (2000) (explaining that technological developments have always sparked new secondary uses of pre-existing works).

> Despite our best efforts, we were unable to find all right holder of the photographic works used in this booklet. If you believe, in good faith, to have a legitimate copyright claim, we kindly invite you to contact [X].[126]

Likewise, in the United Kingdom, a recent report on managing orphan works suggests good faith users to include with every use of the orphan work a prominently visible disclaimer, stating:

> Every effort has been made to trace copyright holders, obtain permission from them and to ensure that all credits are correct. [X] has acted in good faith at all times and on the best information available to us at the time of publication. We apologise for any inadvertent omissions, which will be corrected as soon as possible if notification is given to us in writing.[127]

Obviously, disclaimers of this kind provide no immunity against liability. However, they may help to demonstrate the good faith intention of the user. After all, by adding a disclaimer, the user makes no secret of having used an orphan work. Moreover, by inviting the right holder, should he or she emerge, to contact the user to arrange a deal, the disclaimer attempts to resolve possible conflicts with reappearing right holders through an amicable settlement. In Europe, therefore, the use of disclaimers to indicate good faith uses of orphan works is totally accepted. Although not widely applied, the disclaimers appear in many different contexts.[128]

A second practical solution that has emerged in Europe to address the problem of orphan works is the grant of an indemnity or security by a CRMO or a private organization representing right holders to prospective users of orphan works. CRMOs sometimes include an indemnity clause in collective licensing agreements with users, in which they assume the financial liability for any claim made by a copyright owner who is not represented by them.[129]

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126. *See* Wim Sonneveld, Voor altijd (Nikkelen Nelis 1999). The disclaimer contained in the accompanying booklet states: "*Ondanks onze pogingen zijn we er niet in geslaagd alle rechthebbenden op het gebruikte fotomateriaal te achterhalen. Diegenen die menen alsnog aanspraken te kunnen doen gelden, worden verzocht contact op te nemen met* [X]."

127. NAOMI KORN & EMMA BEER, JOINT INFO. SYS. COMM., BRIEFING PAPER ON MANAGING ORPHAN WORKS 3 (2011), *available at* http://www.jisc.ac.uk/media/documents/publications/programme/2011/scaorphanworksbp.pdf.

128. They appear inter alia in the closing credits of television productions and sometimes on websites. *See, e.g.*, the disclaimer used by the Dutch broadcaster NPS, *supra* note 52; *Disclaimer*, FILMEDUCATIE.NL, http://www.filmeducatie.nl/disclaimer (last visited Aug. 29, 2012).

129. Koskinen-Olsson, *supra* note 66, at 292.

Outside the field of collective licensing there are also instances of indemnities being applied. In some countries, indemnities or securities are issued by organizations representing a specific category of right holders. In the Netherlands, for example, users who fail to identify or locate the right holder of a photographic work that they wish to reutilize can request *Foto Anoniem*,[130] a foundation linked to Burafo, a Dutch organization for professional photographers, to grant them a contractual indemnity. The indemnity exempts users from liability for financial damages. It is issued upon payment of a fair compensation. The compensation, which is similar to the license fee that would normally be charged for publication of a comparable photograph, is reserved by *Foto Anoniem* to pay rights holders in case they subsequently come forward. *Foto Anoniem* actively searches for right holders of photographs for which it has issued an indemnity and keeps an online record of indemnified photographs.[131]

A contractual indemnity or security protects against financial liability for copyright infringement, thus providing a measure of legal certainty to users of orphan works who have obtained an indemnity or security. Nevertheless, it does not offer a complete solution to the orphan works problem. The fact that an indemnity or security has been granted does not prevent reappearing right holders from seeking injunctive relief. Hence, the further use of the works could still be prohibited.[132]

These two examples demonstrate that in Europe users have found practical ways to deal with the orphan works problem for particular small-scale incidental types of uses. Because of the availability of statutory damages in U.S. copyright law,[133] on the other hand, it seems virtually impossible to adopt similar approaches in the United States. First, using a disclaimer of the kind applied in Europe would be highly risky, as it could possibly be held against the user in a copyright infringement proceeding.[134] That is, if a user

130. FOTO ANONIEM [ANONYMOUS PHOTO], http://www.fotoanoniem.nl (last visited Aug. 29, 2012).

131. In Belgium, a similar model is employed by SOFAM, the CRMO for visual arts, which upon request grants suretyship ('*borgstellingen*') to users who are unable to trace the copyright owner. *See* Contracten, SOFAM, http://www.sofam.be/nl/10/ (last visited Aug. 29, 2012).

132. Van Gompel, *supra* note 1, at 690.

133. *See supra* Section II.A.

134. At least it seems to bar an innocent intent defense in mitigation of damages. Pursuant to 17 U.S.C. § 504(c)(2) (2010), courts can reduce the award of statutory damages if the infringer "was not aware and had no reason to believe that his or her acts constituted an infringement of copyright" or shall remit statutory damages if the infringer is a nonprofit educational institution, library, or archive that "believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107." By

would openly disclose that despite reasonable efforts it was impossible to find the right owner to ask for permission, this could perhaps be used as evidence to prove that the user had constructive knowledge of the infringing nature of his or her conduct. This could give rise to the risk of liability for payment of statutory damages for willful infringement.[135] For the same reason, granting indemnities or securities to good faith users of orphan works would probably be perceived as an equally unattractive model. Because of the risk of exposure to statutory damages, it may be difficult to find CRMOs or private organizations representing right holders in the United States to provide financial surety for users of orphan works.

Thus, users who wish to make incidental use of an orphan work in the United States cannot effectively rely on practical models existing in Europe. Addressing the orphan works problem for this group of users requires a legislative approach. Given the small scale of use, the models based on a diligent search requirement as discussed in Section III.B, *supra*, could well provide relief to these users. In seeking a model to facilitate the use of orphan works in the United States, therefore, this category of users could easily be grouped together with transformative users.

IV. CONCLUSION

The orphan works problem is multifaceted. It manifests itself differently according to how the works are used. This article has metaphorically represented the problem of orphan works and its different manifestations by the image of the Chimera. The Chimera is a three-headed she-monster, which according to ancient Greek mythology had a lion's head, a tail that

using a disclaimer stating that despite reasonable efforts it was impossible to find the copyright owners of the works used, the user shows to have consciously and intentionally used works without permission, thus confirming knowledge of the infringing nature of his or her conduct. Also, for the nonprofit educational institution, library, or archive relying on fair use, the use of such a disclaimer would not make much sense, as it can be regarded as an invitation to the right owner to arrange an ex post licensing deal, thus negating to a greater or lesser degree the reliance on fair use. Accordingly, even though the innocent intent defense in mitigation of damages is hardly ever accepted by the courts, *see* Samuelson & Wheatland, *supra* note 42, at 452–54, 474, it would still be better to omit disclaimers of this kind if one were to rely on this provision in litigation.

135. 17 U.S.C. § 504(c) (2010). Whether statutory damages for willful infringement are actually awarded will of course depend on the judicial interpretation of willfulness. However, some scholars have observed that "[c]ourts have interpreted willfulness expansively such that infringement may be deemed willful if the defendant should have known his conduct was infringing. Judges have even found infringement to be willful as to defendants who proffered plausible, if ultimately unsuccessful, fair use defenses." Samuelson & Wheatland, *supra* note 42, at 459. As a consequence, "virtually all ordinary infringers are at risk of excessive statutory damage awards." *Id.* at 455.

ended in a serpent's head, and a head of a goat in her middle. The three animal parts symbolize the three most characteristic appearances of the problem.

For mass-digitization projects (the lion's head of the Chimera), the orphan works problem is particularly urgent because of the large scale in which pre-existing works are being digitized and made available online. These projects face considerable uncertainty when reusing works where the right owners are unknown or untraceable. Because of the large scale of use, the risk of becoming liable for payment of monetary damages is particularly high for mass-digitization projects. By contrast, these projects fear relatively little from injunction claims.

This is different for users who incorporate orphan works into a derivative work (the serpent's head of the Chimera). The insecurity that the orphan works problem causes for these users is that a resurfaced right owner may take legal action and claim injunctive relief by prohibiting further use of the orphan work. This could seriously harm the derivative work. On the other hand, the risk of incurring monetary damages seems bearable only if a few orphan works are integrated into the derivative work. Still, the availability of statutory damages may render the financial risk of using orphan works too high for certain creative re-users in the United States.

A third category is certain small-scale incidental uses of orphan works (the goat's head of the Chimera). Because in Europe no statutory damages apply and small-scale incidental uses are not easily threatened by injunctions, the orphan works problem is not perceived by users in this group as being too serious an issue. In certain European countries, voluntary practices have also been developed to deal with orphan works. These practices, which exist in the use of disclaimers and indemnities, have further decreased the significance of the issue for small-scale users in Europe. In the United States, on the other hand, statutory damages effectively deter users from relying on practical models. In contrast to Europe, addressing the orphan works problem in the United States would therefore require taking legislative action for these types of uses too.

The fact that the problem of orphan works manifests itself in different ways indicates that, in order to address it effectively, a multifaceted strategy ought to be pursued. Other than relying on practical legal solutions that are already in place in certain European countries (but could perhaps be voluntarily extended to other fields of copyright law where such mechanisms do not yet exist), the strategy proposed here is to take legal action on two fronts.

First, for mass-digitization projects, a model based on collective licensing appears to be most adequate and effective. Collective licensing by itself

would already provide effective relief in cases where permission to use a multitude of works needs to be obtained. Should an extended collective licensing model be introduced, however, this would give greater legal certainty. It would ensure that non-represented right holders, including right holders of orphan works, are also covered by the licensing scheme. While this model has the advantage of steering close to the tradition of collective rights management that has a proven track record, particularly in Europe, it also comes with a number of disadvantages and practical difficulties, one of which is the upfront payment of royalties that it requires. Nonetheless, as observed, such cost would not outweigh the benefit of not having to clear rights on a work-by-work basis.

Second, for users who incorporate an orphan work into a derivative work (and in the United States also for small-scale incidental users of orphan works), a legislative model based on diligent search requirements could be adopted. Examples include the U.S.-style limitation on remedy rule, a specific orphan works exception, or the Canadian model of compulsory licensing by a public authority. All three models have specific advantages and disadvantages. The Canadian model provides maximum legal certainty, but comes with upfront costs. A limitation on remedy rule or orphan works exception offers lesser legal certainty to users of orphan works, but does not require advance payments (though surely also entail ex ante costs). Which model is the most suitable, therefore, will vary according to the specific national situation.

In short, by pursuing the multifaceted strategy proposed in this Article, the problem of orphan works can most adequately be addressed for the different groups of users that are confronted with it. As a practical approach sometimes suffices, at least in Europe, legislative intervention is only required in cases where there is true legal uncertainty for users. Hence the strategy put forward here is not aimed at entirely eliminating the Chimera, but at taming the lion, killing the serpent, and restraining the goat. Only in the United States must the goat be killed together with the serpent. This should prevent small-scale incidental users of orphan works from exposure to the risk of becoming liable for payment of (perhaps exorbitant) statutory damages.