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The Record Does Not Support Broadly Tailored Legislation for Orphan Works or Mass Digitization

I submit this comment in my personal capacity as a scholar who has studied the theory and practice of tailoring rights under copyright through legislation, judicial interpretation, and administrative regulation. This proceeding has as its focus whether the Copyright Office should recommend to Congress that it enact legislation that would tailor the scope of a copyright owner's exclusive rights under Section 106 by limiting liability of those who exercise such rights to make "orphan" works of authorship available to the public, including orphan works that have been digitized.

Tailoring measures that received the most attention during the March 10-11, 2014 roundtables included potential statutory licensing conditioned on a diligent search or a provision that would provide for payment of a reasonable royalty to owners of orphaned rights who emerge after use has been made. Based on my research in this area, I think the necessary conditions for successful legislation are not present, with the possible exception for a very narrowly tailored provision that would address commercial uses of orphan works.

Framework for Orphan Works Legislation

The problem under discussion is an example of the "uniformity cost" problem (or one-size-fits all problem) in intellectual property law. Copyright defines exclusive rights in a general fashion (with the exception of Section 106(6)) that applies to all relevant works of authorship for a broad range of uses. By doing so, the copyright owner in the first instance has the exclusive rights to publish, adapt, or otherwise use the work of authorship for the long duration of the copyright term. The law recognizes that this lack of context sensitivity is overinclusive because there are socially beneficial uses the copyright owner is either unlikely to make or to allow for reasons such as perceived self-interest in denying the use or transaction costs. Sections 107-122 of the Act respond to this problem by identifying a range of uses for defined types of works (and sometimes defined types of user) that are to be permitted by law to reduce social harms the would otherwise be caused by the breadth of the Section 106 rights.

But, legislative tailoring, as reflected in Sections 107-122, is only one of a range of strategies for reducing uniformity cost. I incorporate by reference my more general work on these other strategies, which include using formalities as a means of requiring copyright owners to self-sort among those who do and do not value protection and using flexible legal standards, such as the idea/expression dichotomy, the "substantial

similarity" infringement standard, and fair use as means for introducing context-sensitivity into the application of the law.[1]

Explicit tailoring works when three conditions are present: (1) there is sufficient evidence that the existing rights structure is imposing identifiable social costs; (2) that the line drawn by a tailoring solution produces an "administrable" distinction that provides sufficient room for uses that achieve the goals of drawing the distinction while not allowing it to be routinely thwarted by clever lawyering or other forms of legal arbitrage; and (3) that interest groups with sufficient influence in the legislative process are motivated to support an evidence-based, well-designed and administrable solution and not to undermine or distort it to the point that it loses any utility as a solution to the social cost problem or, worse, that the cure is worse than the disease.[2]

For the following reasons, when this framework is applied to the orphan works problem, my analysis is that tailoring through the application of the flexible fair use standard is likely to be more effective than a legislative measure in the majority of cases. First, is there sufficient evidence of a problem caused by the breadth of Section 106? On this question, at least in theory the answer is clearly yes. The structure of the Act and practice under it means that in some situations, exclusive rights will be owned by parties who do not know they own such rights or who are unidentifiable as rights owners in the normal course block socially beneficial uses of works of authorship. As this Office summarized in the 2006 Report:

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1 *See* Michael W. Carroll, *One for All: The Problem of Uniformity Cost in Intellectual Property Law*, 55 AM. U. L. REV. 845, 878-80, 885-90 (2006).

2 *See* Michael W. Carroll, *One Size Does Not Fit All: A Framework for Tailoring Intellectual Property Rights,* 70 OHIO ST. L. J. 1361 (2009).

> Concerns have been raised that in such a situation, a productive and beneficial use of the work is forestalled – not because the copyright owner has asserted his exclusive rights in the work, or because the user and owner cannot agree on the terms of a license – but merely because the user cannot locate the owner. Many users of copyrighted works have indicated that the risk of liability for copyright infringement, however remote, is enough to prompt them not to make use of the work. Such an outcome is not in the public interest, particularly where the copyright owner is not locatable because he no longer exists or otherwise does not care to restrain the use of his work.[3]

When the full structure of the Act – including Section 107 – is taken into account, the evidence submitted through comments and statements of many user representatives indicates that many of those uses that were being forestalled in 2006 because of risk aversion and incomplete fair use analyses are now capable of being made, particularly by libraries and archives, under a more thoroughgoing understanding of fair use.

However, the absence of a transacting partner where a use requires a license, means that there still is a class of cases for which there is an orphan works problem. The depth or breadth of this problem remains somewhat unclear from the remarks made by Roundtable participants. There is sufficient evidence to acknowledge that there is a uniformity cost problem, but perhaps not yet enough evidence to justify pursuit of a legislative solution.

If there were, sufficient evidence, is there an administrable solution? There could be, but some of the distinctions discussed during the Roundtable – particularly a legislative standard that defines commercial and non-commercial uses or users – would

[3] UNITED STATES COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 1 (2006).

likely fail to be administrable. Non-profit museums would like to sell posters or mugs with images from orphan works, and some for-profit entities would like to make uses of orphan works that are not necessarily for their direct or indirect commercial advantage. Any commercial/non-commercial distinction would likely be both over- and under-inclusive.

A better means for defining an orphan works provision, in my opinion, would be to place it in Chapter 5 of Title 17 as a limitation on the remedies for uses that infringe the scope of the copyright owners' rights as defined in Sections 106-122. For such uses, the user will be entitled to a defined limitation on remedies if the work meets the definition of an orphan work. For such a provision to be both administrable and worthwhile as a means of addressing the problem, the limitation on the Chapter 5 remedies must be sufficiently robust to remove the chill associated with the use and the definition of an orphan work – including identifying the efforts required for a reasonably diligent search - must be clear enough and reasonable enough that a user would likely undertake such use. These tasks are theoretically feasible, and the 2006 Report made good progress in this direction.

However, the third prong of the framework is what raises concern about a legislative solution tailored for otherwise infringing uses. Stakeholders expressed skepticism about the likelihood that any proposed legislation that would meet the definition above would not emerge from Congress intact. For example, "the point is we don't live in a perfect world, we live in this world. And in this world the likelihood of coming up with a legislative solution that really is better than, and I'm saying better than

from the perspective of the user community, is very unlikely."[4] Certain rightsholder representative that theoretically supported legislation, also sought to opt out from any such legislation. "Our viewpoint has always been that music should be out of orphan works for all sorts of reasons because we can really, most people can, find the owners of works."[5] Representatives of photographers also have over the years expressed concern about a general orphan works provision that might too readily declare a work to be orphaned.

These warning signs about the likelihood that Congress would enact a meaningful solution to the orphan works problem are bolstered by the 2008 experience. In that process, the "due diligence" standard was tightened and rendered increasingly complex in ways that responded to one set of risks -- rightsholder concerns about users seeking limits on liability without a real attempt to find the copyright owner – by increasing risk for the intended beneficiaries in ways that would make it difficult or unlikely that many intended beneficiaries most beneficiaries to take advantage of it. Similarly, the same motivation to respond to rightsholder perceptions of risk led to amendments that introduced "safeguards" that encumbered the bill with bureaucratic compliance measures that limited the likelihood that the bill, if enacted, would actually

[4] *See, e.g.*, Transcript of March 10 Roundtable (hereinafter Tr. 3/10) at 44 (statement of Jonathan Band).
[5] Tr. 3/10 at 35 (statement of Jay Rosenthal).

increase the uses of orphan works. This same legislative dynamic led to the effective hobbling of the well-intentioned TEACH Act.[6]

As a result, the Copyright Office should give serious consideration to outlining guidelines that federal courts might use in the exercise of their remedial discretion in a case in which the copyright owner of orphaned rights emerges after a reasonably diligent search and an subsequent infringing use have been made instead of, or in addition to, proposing a legislative solution.

Signed,

[6] *See, e.g.*, The Teach Act, University of Texas Copyright Crash Course, at http://copyright.lib.utexas.edu/teachact.html.