

February 4, 2013

U.S. Copyright Office
Office of Policy and International Affairs
Attn: Catherine Rowland, Counsel
101 Independence Ave. S.E.
Washington, D.C. 20559-6000

Submitted electronically via <http://www.copyright.gov/orphan/comment-submission/>

Re: Notice of Inquiry Issued on October 22, 2012 by the U.S Copyright Office in connection with Orphan Works and Mass Digitization [Docket No. 2012-12]

Dear Ms. Rowland:

The Independent Film & Television Alliance (IFTA) welcomes the opportunity to provide comments to the U.S. Copyright Office in response to the above-captioned matter regarding orphan works and mass digitization.

I. About IFTA

Based in Los Angeles, IFTA is the global trade association of the independent motion picture and television industry. Our nonprofit organization represents more than 150 Member Companies in 19 countries consisting of the world's foremost independent production and distribution companies, the majority of which are small to medium-sized U.S.-based businesses that include sales agents, television companies and institutions engaged in film finance.¹

For more than 30 years, IFTA Members have produced, distributed and financed many of the world's most prominent films, 19 of which have won the Academy Award® for "Best Picture," most recently *The King's Speech* (The Weinstein Company), *The Hurt Locker* (Voltage Pictures and Summit Entertainment) and *Slumdog Millionaire* (Pathé). Collectively, IFTA Members produce more than 400 independent films and countless hours of television programming each year and generate more than \$4 billion in sales revenues annually. Furthermore, the independent sector produces approximately 75% of all U.S. films,² with most of these films financed, produced and internationally distributed outside of the major Hollywood studios.

The independent sector of the film and television industry relies on license fees resulting from copyright ownership. Unlike the major Hollywood studios, IFTA Members regularly secure

¹ A list of IFTA Member Companies is available online at: www.ifta-online.org.

² IFTA analysis of weekly production listings published in *The Hollywood Reporter & Daily Variety* (2002-2008) and in Baseline Studio Systems and IMDB Pro (2009 & 2010).

financing and distribution for each project on a country-by-country basis by means of licensing deals with local distributors. After assessing the value of a project, local distributors enter into license agreements with the producer that provide minimum license fees to be paid in order to secure exclusive distribution rights to a project before production. Once enough minimum guarantees are secured through local distributors, those license agreements are collateralized by financial institutions which loan production funds to support the project. In exchange, these financial institutions typically retain the underlying copyright assignment of an audiovisual work until the production loan is repaid in full.

The lifeblood of independent producers and distributors is their intellectual property rights and their ability to secure financing to produce the film, to license exclusively for worldwide distribution, and to protect and enforce the exclusive rights to their works. As such, we urge the U.S. Copyright Office to consider the unique business and financing models of independent film producers when proposing legislation regarding orphan works and mass digitization.

II. Orphan Works in the U.S.

Copyright ownership is crucial to the survival of the independent film and television industry. In designing and implementing parameters for the use of orphan works, copyright ownership and the licensing of exclusive rights in the independent film and television industry should be carefully considered so that the business and financing models for creating independent film and television content are not negatively impacted.

All works should be presumed to be owned and protected. However, when access to orphan works is to be provided for at law, “orphan work” should be clearly defined where the rights holder of the work is not identified or, if identified, cannot be located after a good faith diligent search for the rights holder has been conducted and recorded. No work should be considered an “orphan” where the rights holder has been identified and located but who has either failed to reply or has refused to authorize a use. Clearly, any procedure to determine the status of a work as “orphan” should not be applied so as to create any requirement for licensees or rights holders identified as owners through an identification procedure.

Proposed solutions to resolving whether a work is “orphaned” should require clear guidelines so that a potential user of a work has no doubt what is required to use such work. Each copyright sector (*e.g.* audiovisual works, photographs, etc.) should have a custom set of guidelines and best practices for that particular sector. In addition, a rights holder’s exclusive rights of authorization, remuneration and contractual freedom must be considered and respected. It is essential that checks and balances be carefully designed and implemented to prevent abuses of the mechanism and ensure that the interests of rights holders are not compromised.

A. Requirements for Exploiting an Orphan Work

Similar to the U.S. Copyright Office’s proposed legislation in 2008,³ IFTA recommends that any use of an orphan work be subject to the following requirements: (1) a good faith reasonably diligent search for the copyright owner; (2) attribution to the author and copyright owner(s), if

³ Orphan Works Act of 2008, S. 2913, 110th Congress (2007-2008).

possible and appropriate under the circumstances; and (3) reasonable compensation based on what a the copyright owner (*i.e.* seller) may negotiate freely in the marketplace.

However, in contrast to the 2008 proposed legislation, if the rights holder surfaces, he or she should be solely authorized to license any further or continued use and permitted to seek injunctive relief for future uses, as well as reasonable compensation for the prior use.

1. *Good Faith Reasonably Diligent Search*

A good faith reasonably diligent search for the copyright owner, as described herein, (“Diligent Search”) must be undertaken before the use of the orphan work is permitted. Guidelines, best practices and detailed requirements as to what constitutes a Diligent Search should be made available to the public. With regard to audiovisual works, the rights holder is usually identified in the work itself. Therefore, contacting all rights holders identified in the work should be a necessary requirement of a Diligent Search to use an audiovisual work. Additional requirements for a Diligent Search should be as follows:

- (1) the search is done prior to the use of the work;
- (2) the search is done for an individual work, even when part of a collective work, which is especially important for audiovisual works;
- (3) the search included consultation with the U.S. Copyright Office’s website (however, failure to locate a work on the Copyright Office’s website should not expose copyrighted works to “orphan” status);
- (4) the search included reasonably available expert assistance and technology, including resources that charge a fee;
- (5) a public announcement identifying the work and seeking the rights holder;
- (6) a detailed description of the search process (*e.g.* date of the searches, names of the resources used and list of search terms employed and copies of announcements where relevant);
- (7) a statement that the copyrighted work sought to be used is a published work; and
- (8) a third party certification, for example from the Copyright Office, that the attempted user met the requirements of a Diligent Search.

Compliance with search criteria should be monitored by an independent authority such as the Copyright Office so as to prevent and address cases of derogatory treatment of orphan works.

Any Diligent Search conducted should apply only to the particular use for which the attempted user of the work conducted such Search. Therefore, a new Diligent Search should be required for each and every use of a work and the Diligent Search of a prior user may not be used by any subsequent user. Where there are multiple rights holders of an orphan work, authorization must be provided by all rights holders who have been identified and located. Partial orphans in collective works should not prejudice known rights holders whose consent is needed to enable the licensing of the work.

If after a Diligent Search is conducted and the overall work is determined to be an orphan, then the work should only permissibly be used in its entirety, and not for other uses, such as “clips” which would be using the work beyond what the rights holder had intended. Further, it is

imperative that the underlying rights holder who cannot be identified after a Diligent Search will be recognized as a rights holder and be able to make a claim at a later stage.

In order to prevent an infringing use, as well as consequences to the infringer, warnings should be given after a Diligent Search has produced no known rights holder. For example, users should be made aware that any use of a work that is based on a defective Diligent Search should be prohibited from taking advantage of any protections accorded to orphan works.

2. Attribution to Copyright Owner

If possible and appropriate under the circumstances, attribution must be provided to any rights holder who has been identified, even if the rights holder has not been located. Where there are multiple rights holders of an orphan work, then attribution must be given to all who have been identified and located. IFTA proposes that, similar to the framework of the European Digital Libraries Initiative, in the use of the work, the user must include a statement that the rights holder could not be located (e.g. “work still in copyright, rights holder could not be traced”).⁴ Furthermore, the user of an orphan work should have a continuing duty to update the attribution if more information becomes available to the user.

3. Reasonable Compensation and Limitation of Remedies

If a user is contacted by the rights holder regarding use of the work after a Diligent Search, then the rights holder should be entitled to reasonable compensation based on the amount a buyer and seller would agree to under the circumstances.

The legislation proposed by the U.S. Copyright Office in 2006⁵ provided that if a user demonstrated that he performed a Diligent Search and provided reasonable attribution to the rights holder(s), then the remedies available in that infringement action would be limited. Specifically, the only monetary relief available to the rights holder would be reasonable compensation for the use, with an elimination of any monetary relief where the use was noncommercial and the user ceases the infringement expeditiously upon notice. The 2006 legislation also limits the ability of the copyright owner to obtain full injunctive relief in cases where the user has transformed the orphan work into a derivative work, preserving the user’s ability to continue to exploit that derivative work. In all other cases, the court would be instructed to minimize the harm to the user that an injunction might impose, to protect the user’s interests in relying on the orphan works provision in making use of the work.

IFTA opposes any prohibition of a rights holder’s right to injunctive relief. A rights holder who emerges after use of a work previously determined to be an orphan, pursuant to a Diligent Search, should be entitled to prevent any further use of the work. For example, a later emerging rights holder may not be entitled to attorneys’ fees, statutory damages or injunctive relief *as to any prior use* so long as reasonable compensation is provided to the rights holder for the prior use, but any future uses are subject to the authorization of the rights holder. This requirement would recognize the rights holder’s entitlement to compensation while assuring a user that he or she will not be liable for a significant monetary damages award if a proper Diligent Search was conducted.

⁴ European Digital Libraries Initiative - http://ec.europa.eu/information_society/activities/digital_libraries/index_en.htm

⁵ Orphan Works Act of 2006, H.R. 5439, 109th Congress (2005-2006).

B. Central Database of Information

Readily available information on copyright ownership and registration would be beneficial to potential users of copyrighted works as well as the public in general. To that end, IFTA recommends that the U.S. Copyright Office create and maintain an archive to retain Notice of Use filings consisting of: (a) the type of work being used; (b) the description of the work; (c) a summary of the Diligent Search conducted; (d) the owner, author, recognized title and other available identifying elements of the work, to the extent the infringer knows such information with a reasonable degree of certainty; (e) a certification that the infringer performed a Diligent Search to locate the owner of the infringed copyright; and (f) the name of the infringer and how the work will be used.⁶ Such archive should be in the form of a central database that is accessible to the public and should include works where the copyright owner has been identified and/or located as well as where no copyright owner has been identified. Even if a copyright owner has only been identified but has not been located, it should be included in the central database. Such information will prevent future orphan works for works whose copyright owner has been identified. Where an orphan work has been used pursuant to a Diligent Search, it should be so indicated in the database. Access to the information should be simple so as to provide easy search and print functions for copies of registrations, transfers of ownership, notices of assignment and other recorded documents.

While there will be obstacles to forming a central database, they are not so significant as to make the database unhelpful. First, the database will inevitably exclude information. However, the Copyright Office may consider offering incentives to encourage copyright registration which would not only assist with Diligent Searches, but also prevent future orphan works. One such incentive might be decreased copyright registration fees.⁷ Second, the Berne Convention, to which the U.S. is a signatory, includes a prohibition on formalities as a condition on the exercise or enjoyment of an exclusive right. As such, a rights holder cannot be prevented from asserting his or her exclusive rights simply because the copyrighted work is not in the central database. Even so, many copyright owners, at least in the independent film and television industry, register their copyrights.

Creation of any such database should be distinguished from the court order in the Google Settlement case because, in that case, there was no requirement that a prior diligent search be conducted for out-of-print works; rather, copyright owners were required to claim such works through a registry as a condition of avoiding orphan status. The central database proposed herein would only designate works as orphan after a Diligent Search has been carried out.

C. De-Orphaning of Work

Rights holders whose works are wrongly or negligently identified as orphan must be provided a fast and cost effective mechanism to end that status and must be able to exercise their exclusive rights. Pursuant to the 2008 proposed legislation, the user would file a notice of use with the Copyright Office, via the central database described above, which describes the user's efforts to locate the copyright owner and how the user intends to use the work. If the rights holder emerges after the work has been used pursuant to an orphan designation, he or she would be entitled to reasonable compensation for any use of the work. The rights holder would also be solely in control of any future uses of that work. As stated above, IFTA agrees with a narrow limitation on remedies,

⁶ See Orphan Works Act of 2008, S. 2913, 110th Congress (2007-2008).

⁷ IFTA's response to the Request for Written Comments from the Public Issued on January 24, 2012 by the U.S. Copyright Office in connection with the U.S. Copyright Office's Fees for Services [Docket No. 2012-1].

but opposes any continuing use of the work once a rights holder has emerged. Continuing use of audiovisual works without the ability of the rights holder to license those uses would have grave consequences to the independent film and television industry.

D. Role of Collection Societies

1. *Compulsory Licensing*

IFTA opposes any form of compulsory licensing through which third parties are permitted to authorize exploitation of works deemed orphans and where users of such works are held accountable only for “due remuneration.” IFTA agrees to collective licensing when it is mandatory and provided for at law. Otherwise, licensing audiovisual works should be done through face-to-face negotiations where the true value of the work can be appropriately determined.

2. *Extended Collective Licensing*

IFTA opposes any extended collective licensing scheme because it is an overbroad measure that lessens the ability of rights holders to monetize exclusive rights, thereby undermining such rights, especially those for online exploitation. Extended collective licensing will be detrimental to new investment in film production because the dominant business model for independent film rests on upfront individual and exclusive licensing underpinned by contractual freedom and market driven face-to-face negotiations with distributors prior to the production of works. In our sector, instances of collective management of licensing are limited to cases in which such individual face-to-face negotiations and commercial licensing is not practical. Historically, compulsory collective licensing applies only to the secondary use of works, *i.e.* simultaneous retransmission, and does not impact primary licensing. Because the amount of license fees for films and television programs varies widely based on numerous factors and is determined prior to the production of the work (*e.g.* cast, territory, director, etc.), exploitation of the primary license should not be subject to compulsory or collective licensing. And now, digital technology powerfully enables new online business models for individual commercial licensing of content direct to the consumer, which is based on the use of the exclusive right of making available.

A collective licensing scheme may be feasible for certain copyright sectors, particularly where it is more difficult to determine and locate the rights holder than it may be for other copyright sectors. For example, it is exponentially more difficult to determine and locate the rights holder of a photograph than it is to determine the rights holder for a film or television program. Because a one-size-fits-all approach will not treat all copyright sectors equally and, in fact, will significantly and irreparably harm the independent film and television industry, no collective licensing scheme should be imposed for orphan works.

E. Exceptions

Respect for exclusive rights and appropriate compensation should be upheld. As such, IFTA does not support the creation of any exceptions or limitations specifically for the use of orphan works. However, users of orphan works should be entitled to any other right, limitation or defense to copyright infringement per the Copyright Act, including affirmative defenses such as fair use.⁸ As is stated above, warnings should be given to the user where it seems an exception applies.

⁸ U.S. Copyright Act, 17 U.S.C. §107

If an exception or limitation of the rights holder's exclusive rights is implemented, then such use should satisfy the "three step test" set forth in the Berne Convention.⁹ The Berne Convention allows all relevant countries to legislate for local exceptions to copyright in their territories, but only as long as all of the following three tests are met:

- (1) Reproduction of the work is limited to certain special cases;
- (2) Reproduction of the work does not conflict with a normal exploitation of the work; and
- (3) Reproduction of the work does not unreasonably prejudice the legitimate interests of the author.

The first test above permits exceptions for clearly defined groups, such as the visually impaired.¹⁰ The second two tests prohibit any form of commercial use which threatens or competes with normal publication.

III. Mass Digitization

Mass digitization is the electronic availability of all copyrighted works and is a separate and distinct issue from orphan works. In order to include a copyrighted work in a mass digitization project, a license must be obtained from the rights holder. If a license is not obtained, then the work must be excluded from the mass digitization efforts.¹¹ While mass digitization of copyrighted works may assist in the Diligent Search requirement for determining orphan works perhaps resulting less works being declared "orphaned", mass digitization should not be required in order for any rights holder to obtain a presumption of copyright ownership. As with orphan works, if exceptions apply to the use, then such work may be digitized. IFTA does not oppose mass digitization by the Copyright Office of works already determined to be orphaned.

IV. Orphan Works in Europe

An EU Directive on orphan works was adopted on October 25, 2012. The Directive provides that a work shall meet the definition of orphan work "if none of the rights holders in that work [...] is identified or, even if one or more of them is identified, none is located despite a diligent search." The Directive introduces an exception specific to the rights of reproduction and "making available" for certain permitted uses of orphan works.

The Directive holds that a diligent search must normally be carried out in the country of first publication or first broadcast of the work. Member States will be under obligation to provide information about diligent searches to a central online EU database to be managed by the EU Office of Harmonisation and to be open for public consultation.

Diligent searches shall be carried out by the institutions specifically designated in the directive as those allowed to avail themselves of the orphan works Directive. These not only include libraries, educational institutions and museums, but also public service broadcasters. These

⁹ Berne Convention for the Protection of Literary and Artistic Works, Art. 9.2, Sept. 9, 1886, http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html

¹⁰ U.S. Copyright Act, 17 U.S.C. §121

¹¹ *Authors Guild et al. v. Google*, 770 F.Supp.2d 666 (SDNY 2011).

beneficiaries will be expected to report information concerning their diligent searches to the “competent national authority” which will pass the information on to the EU-wide database.

The designated institutions may only avail themselves of the exceptions in the Directive “in order to achieve aims related to their public interest mission”. These are described in particular as preservation and restoration of works as well as “cultural and educational access”.

The Directive also creates a system of mutual recognition of orphan works within the EU (Article 4): “A work [...] which is considered an orphan work [...] in a Member State shall be considered an orphan work in all Member States.”

The Directive also creates a legal obligation for Member States to have dispositions in place to the effect that a work will no longer have orphan work status if/when a rights holder makes himself/herself known at any point. Member States will also have to ensure (article 6(5)) that “fair compensation is due to rights holders that put an end to the orphan work stature of their works”. It is left to national sovereignty to determine the requisite level of compensation and the mechanism thereof.

The Directive must be implemented into national law of EU Member States by October 29, 2014.

V. UK – Proposal for new Copyright Act dispositions on orphan works

In July 2012, the UK’s Intellectual Property Office announced the Government’s intention to review aspects of UK Copyright law in key areas including exceptions and limitations to copyright, collective licensing and orphan works. It is expected that amendments to the UK 1988 CDPA will be forthcoming in 2013, with the process subjected to parliamentary scrutiny by both Chambers.

Unlike the EU Directive, the proposed UK legislation would permit both non-commercial and commercial uses of orphan works under a licensing scheme that would include individual licensing of orphan works and a form of voluntary extended collective licensing. Given the proposals are still at parliamentary committee stage, it is as yet unclear how this scheme may interact with the wider canvas of the UK Copyright Hub. The Hub will create a central, voluntary clearinghouse of UK content rights across different sectors and is scheduled to launch in 2013.

The UK approach would include users of orphan works having to pay an “appropriate price – a market rate”, to the extent that one can be agreed upon. The price would be payable in advance and the funds thus collected would be held by a designated body for future payments to rights holders who may re-appear and make a claim. A statute of limitation on the period of time within which a re-appeared rights holder may claim remuneration will be established as will a mechanism for re-use of the unclaimed funds.

The Government statement stresses the importance of getting the rate right because of the risk of generating what the document terms “perverse incentives”, *i.e.* a rate so low that it might

encourage users to prefer exploiting an orphan work rather than an existing work with known authors and rights holders.

Diligent search must be undertaken before the use of the orphan work is permitted and compliance with search criteria will be monitored by an independent authority to be designated by Government. The proposals also include the creation of a registry of orphan works which may also include unpublished works. Oversight by an independent body may also be required in order to monitor cases of derogatory treatment of orphan works.

The orphan works proposals have been laid out in the draft Enterprise & Regulatory Reform Bill which had reached committee stage in the House of Lords at the end of 2012. Critical debate has focused on the fact that – unlike the EU directive – orphan works in the UK proposal would be available for exploitation by commercial interests. Compatibility with the EU directive was cited as an issue and some legislators questioned the economic wisdom of allowing commercial exploitation.

VI. Conclusion

IFTA is pleased that the Copyright Office is seeking to establish parameters for the determination and use of orphan works and mass digitization of copyrighted works and would like to express its sincere interest in being part of industry and governmental discussions with regard to any further development of the use of orphan works.

Thank you for your time and support of the intellectual property industries.

Respectfully submitted on February 4, 2013

INDEPENDENT FILM & TELEVISION ALLIANCE

/s/

Jean M. Prewitt, President & CEO
10850 Wilshire Blvd., 9th Floor
Los Angeles, CA 90024-4321