

The 'orphan works' challenge

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1. THE 'ORPHAN WORKS' CHALLENGE

It is often argued that, in order to expedite the creation of a true European Digital Library (EDL), the largest possible amount of European library's stock needs to be scanned and made available online. All national digital library initiatives should be linked through an online European library portal. In this way, all the different national projects would be accessible to the public across the EU in one single portal. This is essentially the idea behind the *Europeana* portal.

Libraries and archives in Europe contain millions of books, documents, pamphlets, and other printed material. In 2001 it was estimated that the total number of books and bound periodicals (volumes) in the libraries of the EU-25 exceeded 2.5 billion.¹ Most interested parties agree and recognise that it is extremely difficult to precisely quantify the number of orphan works contained in library collections.

The problem would appear to most severely affect printed media held in libraries, archives and museums. These institutions hold a considerable amount of print media that include books, pamphlets, newspapers, prints, compilations of works, e.g. anthologies and translations, as well as works which may be included in a book such as illustrations, paintings, maps and photographs (so-called "embedded" works).

Estimates of the scale of orphan works problem vary not only because it depends on the sector involved but also because there is currently no standardised way of establishing what an orphan work is, with different cultural institutions approaching the problem from different angles. The most common and conservative estimate that European research has put forward is that 5-10% of works included in library collections of print media are orphan. In some archives and libraries the figure rises up to 50%. In the UK, the British Library estimates that 40% out of all creative works in its entire collection (including unpublished material) of 150 million manuscripts, maps, newspapers, magazines, prints and drawings, music scores, patents, sound recordings and stamps, are orphan.

A study conducted by JISC estimates that 13 to 50 million orphan works exist in the UK. Some studies conducted in the US show that approximately 20% of books are orphan. In visual images the figures reach 35%. In the case of unpublished photographs, only a tiny fraction (1%) identifies the rightholder. In the audio-visual field, the problem is focused mostly on a smaller subsection of pre-war material and documentaries, even though the estimates similarly reach 10%.

The problem appears less prevalent in relation to feature films and virtually non-existent in the area of music. In the audiovisual sector, most rights are assigned to the film producer, who is known whilst in the music sector most rightholders are members

¹ COM (2005) 465 on i2020: Digital Libraries, p. 5.

of collecting societies (either representing authors, producers or performing artists) that hold detailed records².

Searching for the owners of orphan works is a time consuming endeavour. According to the "In from the Cold" study (JISC, 2009) half a day is needed on average to trace the rightholder of a single orphan work. Therefore, for one person to clear the estimated UK orphan works collection, more than 6 million days or almost 18,000 years would be needed. Extremely stringent requirements would therefore be impractical for large scale digitisation projects.

In these circumstances, their permission for the online 'making available' can often not be requested. The U.S. Google Books Settlement, where such permission is deemed granted as long as right holders have not 'opted out', has put pressure on the EU to change copyright rules for orphans so that a Google-equivalent project is possible in Europe as well. In order to measure the legislative challenge that the EU institutions will be faced with, it is worthwhile to look at the approach taken by the Google Books Settlement.

1.1. Out-of-print works vs. orphan works

Publishers see out-of-print works and orphan works as different. Out-of print works are works that are no longer sold in bookstores but where the right-holders are known. Orphan works are works that are neither sold in bookstores, nor are their authors known. While many orphan works can be classified as out-of-print works, not all out-of-print works are orphans. It is presumed that books are more likely to become 'orphans' the older they are and if they have never been published.

As the status of the author or other rightholder is different in relation to out-of-print works and orphan works, it is generally argued that solutions to address the digitisation and online availability should also be different for both categories of works.

Publishers consider that the digital "re-publishing" or the free online making-available of out-of-print books by libraries could undermine potential revenue streams for publishers and create unfair competition. In this respect, the industry is particularly wary of any "re-opening" of the 2001 Directive on Copyright in the Information Society to deal with these issues. They prefer "national solutions" to develop the re-publishing of "out-of-print" books.

For out-of-print works, where the rightholder is known, publishers therefore propose individual contractual licensing. Google's "opt-out" model (you consent as long as you do not oppose the class action settlement, see below) was severely criticised by EU publishers as incompatible with 'fundamental principles of international copyright'

² These findings are corroborated by the report on orphan works undertaken by the French Conseil Supérieur de la Propriété Littéraire et Artistique, *Commission sur les œuvres orphelines*, pp. 12 and 14 and <http://www.cspla.culture.gouv.fr/CONTENU/rapoeuvor08.pdf>

In light of the distinction between orphan works and out-of-print-books, the Commission's work on orphan work currently does not comprise out-of-print books. Nor is the Commission advocating a re-opening of the 2001 Directive to deal with either orphan works or out-of-print books.

The impact assessment on the online display of orphan works should be ready by June 2010. Ideally this would allow for the adoption of a regulatory proposal on the EU-wide online display of orphan works in the autumn of 2010.

Out-of-print works do not form part of the Impact Assessment. The Commission, however, is committed to dealing with this issue as part of the broader issue of large-scale digitization projects as mentioned in our Communication on Copyright on the Knowledge Economy.

As a first step, the parties, publishers, collecting societies and digital library initiatives will be encouraged to establish a functioning system of collective management of the right to 'make available'. The Commission's services might yet come to the conclusion that this approach should be 'facilitated', possibly by means of a stakeholder forum.

1.2. The origins of the orphan works challenge

The complexity of copyright assignments and the often unsatisfactory maintenance of records on copyright ownership have resulted in a situation where a large number of European library stock risks being considered as orphan works. Orphan works exist because, over time, ownership of the copyright in a work evolves and, over long periods, permutations of ownership are increasingly difficult to trace.

The duration of authors' rights lasts for the life span of the author and for 70 years *post mortem auctoris*.³ The term of protection of a work can therefore easily last an average of 120 years assuming a work was created by the author aged 25 and assuming an average life-span of 75 years.

The first owner of a literary work is normally the author, except in particular circumstances and depending on Member States.⁴ Consequently, in the absence of a central registry of ownership, works can become orphan works because there is no

³ Directive 2006/116/EC on the term of protection of copyright and certain related rights (codified version of Directive 93/98/EEC).

⁴ In the UK, for example, certain works created by an employee will be owned by the employer. In France, the rights of the author contributing to a collective work will belong *ab initio* to the person taking the initiative of the collective work. Where the author of the book is the first owner of the copyright, he will usually transfer his rights to a publisher who will undertake to print and publish the book and in return pay royalties to the author. The contractual transfer of rights to the publisher will not usually include all the rights of the author. In addition, contracts concluded many years ago are not likely to explicitly mention the right of interactive making available (so-called digital rights). In such cases, the contract is interpreted under applicable national rules pertaining to the interpretation of contracts and/or copyright contracts. Finally, upon the death of the author, rights are devolved to his or her heirs.

information on the author or owner of the work on available copies of the work⁵ or there is no up-to-date information available on where the author or owner of the work can be found. After the death of the author, successors to his estate are often not known.

On the other hand, if the owner of a work is a legal person that has been dissolved or merged with another the documents recording the transfer of copyright are sometimes lost.⁶ In such situations new owners of the work are not aware of their rights, usually because they have acquired them in the case of a more general transaction or through inheritance.

Consequently, books may be orphan works in whole or in part. They may be partly orphaned in the sense that only a particular right is orphan: for instance, the owner of the interactive making available right cannot be located or identified. Or they may be partly orphaned in the sense that part of book, such as an illustration, or a poem in an anthology, or the contribution of the co-author of a work of joint-authorship, has no known or locatable owner.

It is in these circumstances that publishers take the position that a reasonable and good faith diligent search for the owner of a protected work needs to be carried out prior to establishing whether a work is a true orphan. A diligent search should meet a minimum set of criteria and would generally aim to identify the owner in the country of publication of the work.

1.3. Diligent search

Rightholders generally argue that any initiative to address orphan works should be based on a **diligent search** of right holders in the country of publication and mutual recognition of existing national solutions throughout the EU. Once a duly diligent search has been performed, the system of authorisation/exemption of liability should have and EU wide application. In the absence of right holders, an orphan work could be licensed through a national collecting society for it to be made available online directly (i.e. worldwide).

In essence, a diligent search may be characterised by indicating the sources that a library or other digitisation project would need to consult prior to the online display of works that are potentially out-of-print or orphan works. Available resources to conduct

⁵ An orphan work is not the same as an anonymous or pseudonymous work. The author may decide to publish his work anonymously or under a pseudonym: here the publisher of the book is deemed to represent the author. A pseudonymous or anonymous work is thus an orphan only if it is not possible to identify the author from the work or pseudonym, or if it not possible to identify or locate the publisher of the book.

⁶ See e.g. *Springsteen v. Masquerade Music Ltd* [2001] E.M.L.R. 25, 2001 WL 272986 (CA (Civ Div)), [2001] C.P.L.R. 369, where, in the course of company acquisitions and several years, the documents recording the transfer of copyright could no longer be found.

a diligent search include reference catalogues, publisher/collecting societies databases, international identifiers (ISBN e.g.), legal deposits/national libraries or archives etc.⁷

Publishers, libraries and collecting societies are currently developing the **ARROW** project, the Accessible Registries of Rights Information and Orphan Works. However, the conditions for the use of ARROW still need to be determined and it is not clear whether there will be charges for its use or whether it will be accessible for free.

In addition, the Commission's High Level Group on Digital Libraries (chaired by DG INFSO), in June 2008, proposed two model agreements for out-of-print works. We are not aware that these model licences have actually been used. In addition, a "Memorandum of Understanding on Diligent Search Guidelines for Orphan Works" was signed by representatives of libraries, archives and right holders. This was an attempt by stakeholders representing all sectors (text, photos, audio-visual etc.) to define some commonly accepted albeit voluntary criteria on diligent search.

1.4. ARROW

ARROW is being developed by a consortium of European national libraries, publishers and collective management organisations, also representing writers. It began in November 2008 for a period of 30 months. A pilot phase was slated for early 2010. At completion at the beginning of 2011, 10 countries are expected to be participating. ARROW+ is expected to follow and should provide models for those countries that lack appropriate information sources. .

It is a €5.1 million project co-funded by the EU budget under the eContentplus Programme of the European Commission (€2.5 million). The Programme is managed by DG INFSO.

ARROW is a right-holder identification system to identify right holders and to clarify the copyright status of a work – e.g. if it is an orphan or out-of-print. It will provide information on who owns and administers the rights of a work and where users can seek permission to digitise and/or make the available to user groups. It is conceived as a useful resource or a one-stop-shop to conduct a diligent search. It will create a European Registry of orphan works and a network of rights clearance centres.

It seeks to enhance the interoperability between sources of rights information (i.e. exchange of information) held by right holders, reprographic rights organisations and other collective management organisations, agents, libraries and users.

⁷ The proposed Digital Economy Bill [UK] <http://www.publications.parliament.uk/pa/cm200910/cmbills/089/10089.49-55.html#j901> provides that a potential user has to carry out a diligent search to find or to identify and find the owner of an orphan work. The person carrying out this search must make such use as is reasonable of sources of information, such as (a) licensing bodies; (b) associations of publishers or authors; (c) systems for identifying works of the type concerned; (d) published library catalogues and indexes; (e) public databases, including public records that may indicate successors in title.

ARROW is so far limited to books alone although other right holder organisations representing visual arts and photographers are apparently in discussions to determine how ARROW could be used to identify photos and images 'embedded' in books.

ARROW can be considered as an important first step in the development of effective diligent search tools since as yet it does not cover all EU Member States. Moreover, the conditions for the use of ARROW still need to be determined and it is not clear whether there will be charges for its use or whether it will be accessible for free and whether it would be also available to third parties (e.g. private companies).

2. THE GOOGLE BOOKS SETTLEMENT

The Google Books Settlement (GBS) is a US class action agreement reached on 28 October 2008 between the Authors Guild and the Association of American Publishers and Google. It stems from a 2005 lawsuit brought against Google by US publishers and authors on the grounds that Google was infringing their copyright by digitising and showing snippets of books contained in US library collections without seeking their prior authorisation (Google Library Project). The aim of this project is to create a vast distribution platform for the books contained in these libraries' collections, many of them out-of-print, by making them searchable and available online.

Under the terms of the Settlement, Google will compensate right holders whose works were scanned and pay right holders 63% of revenues earned from the commercial uses Google makes of the scanned books. Google will also fund the creation of a Book Rights Registry. The total initial cost of the Settlement is estimated at 125 million USD.

2.1. Scope of the Google Books Settlement

The terms of the Settlement give authors and publishers the possibility to either "opt-out" of or "stay in" the Settlement. However, the revised Settlement has been significantly narrowed in scope. Under the terms of the November 13, 2009 revisions, only right holders who either registered their copyright with the U.S. Copyright Office or published their book in the U.K., Australia, or Canada by January 5, 2009 are a member of the settlement class. Thus, only titles registered in the US or published in these countries will be available on Google's services. It is assumed that the newly defined settlement class includes approximately 80% of English language works. It is only those works that will now be read and researched at American universities that subscribe to the Google Book Search services.

Right holders from these four countries (United States, United Kingdom, Australia, and Canada) who opt out are removed from the Settlement and Google cannot continue to use or digitize their books. Right holders in the above mentioned jurisdictions can stay in the Settlement either by doing nothing - which means they are automatically covered by the terms of the Settlement - or they can actively choose from the various options available under the Settlement terms and decide what Google can do with their works. For its part, the Settlement would allow Google to continue to use and digitize

books from these countries and make them available through various subscription models.

For it to be binding on the parties, the Settlement must be approved by the US District Court, Southern District of New York.

The Settlement only allows Google to digitise and use books within the **US territory**. That does not mean that the Settlement has no effect on European publications at all. Anyone who either registered their copyright with the U.S. Copyright Office or published their book in the U.K., Australia, or Canada by January 5, 2009 is a member of the class. This still might include rights holders from countries other than the US, the UK, Australia and Canada, although the exact number of works registered by foreign right holders with the US Copyright Office is not clear.

The task of determining the precise contours of the newly defined class is complicated by the fact that US Copyright Office registration records are available in an electronic catalogue only from 1978 onwards⁸. Prior registrations need to be searched manually in the Office's Catalogue of Copyright Entries (CCE)⁹. In these circumstances, it is difficult for the Commission to define precisely how many European right holders are still comprised in the settlement class;

Only members of US, UK, Australian and Canadian publishers will, in future, be represented on the board of the Books Rights Registry, the body that administers the terms of the Settlement (Amended Settlement, 6.2.(ii)). In light of the ambiguous scope of the newly defined settlement class, this raises new issues of adequate representation.

2.2. The notion of 'commercial availability' and its interface with 'prior authorisation'

Commercial Availability, the term which was subject to several renegotiations (only books that are *not* commercially available can be shown in full online without prior authorisation), is now limited to "one or more then-customary channels of trade into purchasers within the United States., Canada, the United Kingdom or Australia" (Amended Settlement, 1.31).

Under the terms of the revised Settlement, in order to determine whether a book is 'commercially available', Google will now only undertake to "use third-party databases from a range of United States, Canadian, United Kingdom, and Australian sources that can be obtained on fair and commercially reasonable terms" (Amended Settlement, 3.2.(d)). These provisions appear to be complemented by a 'commitment letter'

⁸ <http://cocatalog.loc.gov/cgi-bin/Pwebrecon.cgi?DB=local&PAGE=First>

⁹ The Copyright Office printed the *Catalog of Copyright Entries* from 1891 through 1978. From 1979 through 1982, it was published on microfiche.

negotiated with E.U. publishers¹⁰, although some ambiguity on the validity of the commitment letters persists.

2.3. The consequences of exclusion from the Settlement

The revised Settlement does not contain clear indications on the fate of European books that were already scanned under the terms of the previous version of the Settlement. Essentially, it appears that no right holder whose book was digitized prior to the revised Settlement has received any compensation payments from Google. The issue of repayment therefore does not appear to arise. In addition, it has become clear that only right holders who remain in the settlement class can benefit from the 'remove' (Section 3.5.(a)) or 'exclude' (Section 3.5.(b)) provisions in the Settlement. This feature might put those European right holders outside the scope of the settlement at a disadvantage in relation to their UK counterparts. For example, right holders that are now no longer part of the Settlement class must litigate to prevent snippet previews of their works in the United States (and thus clarify the contours of the doctrine of 'fair use') while those in the Settlement can prevent 'snippet previews', as the latter is a display use that can be excluded by Settlement parties. On the other hand, right holders outside the settlement class remain free to litigate the precise scope of 'fair use' with Google in the US.

2.4. The Settlement's provisions on orphan works

The Settlement essentially grants Google the right to display orphan works online without the need to obtain a prior permission.

Under the proposed Google Books Settlement (the 'GBS'),¹¹ the permission to display out-of-print books online (including out-of-print orphan works) is deemed granted as long as rightholders have not 'opted out' of the GBS: by default authors and publishers

¹⁰ Two important concessions to safeguard the copyright of European right holders were outlined in a commitment letter dated 4 September 2009 from the parties to the Settlement addressed to 17 European publishers. Firstly, European books, which are out of print in the US but are still commercially available in Europe, may not be displayed on Google Books services without the explicit consent of authors or publishers. In order to determine the out-of-print status of books Google will now also consult European databases that reliably reflect whether books are sold in the EU. In practice this means that European books sold in European channels of trade will also be considered as 'commercially available' within the terms of the Settlement. Secondly, two non-US representative right-holders will sit on the Board of the Books Rights Registry to represent the interests of non-US right-holders.

¹¹ The Google Books Settlement (GBS) is a US class action agreement reached on 28 October 2008, amended in November 2009, between the Authors Guild and the Association of American Publishers and Google. It stems from a 2005 lawsuit brought against Google by US publishers and authors on the grounds that Google was infringing their copyright by digitising and showing snippets of books contained in US library collections without seeking their prior authorisation (Google Library Project). The aim of the settlement is to allow Google to make the materials contained in libraries searchable and available online. The GBS contains rules on how money collected on behalf of unknown or unlocatable owners of orphan works is to be distributed.

automatically “stay in” the Settlement. No prior permission is necessary for the online display of their books, except if the books are still "commercially available".¹² Google can therefore, under the GBS, use orphan works without any prior permission and display them online in the US.¹³

The revised Settlement now contains precise rules on how money collected on behalf of unknown or unlocatable right holders (orphan works) is to be distributed. The Settlement now also specifies that a portion of the revenue generated from such unclaimed works may, after five years, be used to locate rights holders, but will no longer be used for the Registry's general operations or redistributed to other rights holders.

In addition, the Registry may ask the District Court, after 10 years, to distribute these funds to non-profit rights holder organisations or the 'reading public', and may provide the non-distributable funds are given to the appropriate government authority in compliance with state property laws. The Registry will now also include a Court-approved fiduciary that will represent rights holders of unclaimed books, act to protect their interests, and license their works to third parties, to the extent permitted by law (Amended Settlement, 6.2.(iii)).

Regarding the digital use of orphan works, Google will, under the revised settlement be required to allow third parties (such as e.g., Amazon) to sell consumer access to books, with the reseller receiving a majority of Google's 37% share of the revenue split. However, it has been argued that under the US class action system, Google will be the only entity not facing the risk of litigation by reappearing right holders (as defined under the terms of the Settlement) while commercially exploiting digitized orphan works.

3. THE EU'S STATED POLICY GOALS

The easy availability of orphan works, either by means of a statutory exception or by means of collective licenses, should boost European digital libraries. It should also allow Europe's libraries to compete with Google Books. A European license would be available for several competing digitisation projects and thus avoid a major pitfall of the U.S. Google Books Settlement: Google is the sole beneficiary of the Settlement's provision on orphan works. General rules on the scanning and digitisation of orphan works would, in turn, increase competition in the nascent market for digital libraries, strengthen the EU's overall competitiveness and promote online access to culture.

Libraries and collecting societies, while in agreement that easy copyright clearance for orphan works is a priority, diverge on whether the use of orphan works should be licensed for a fee or should be for free. This discrepancy might lead to stakeholder

¹² Out-of-print works are those that are no longer commercially available. While many orphan works are out-of-print, not all out-of-print works are orphan works since their rightholders are known.

¹³ The GBS is still being scrutinised by the Court of the Southern District of New York. Entry into force of the Settlement is therefore subject to judicial approval.

infighting and the politicisation of an otherwise rather technical project. Regular hearings and stakeholder contacts are the remedy to keep emotions at bay. So far, this 'inclusive approach' seems to have worked.

The Commission has already organised two expert hearings have already been organised, on 26 October and 10 November 2009. These hearings provided a broad view of the different stakeholder interests. In addition, considerable preparatory work on orphan works has been conducted by the DG INFSO High Level Group on Digital Libraries. Moreover, the consultation on the Green Paper 'Copyright in the Knowledge Economy' has yielded a significant amount of comments on the orphan works issue. These findings will be consolidated in an impact assessment, to be delivered in March 2010.

4. THE OPTIONS TO ACHIEVE THESE GOALS

The copyright unit's impact assessment evaluated six options to deal with the online display of orphan works – to do nothing (option 1), a statutory exception (Option 2), three versions of copyright licences (Options 3, 4 and 5) and a system of mutual recognition (Option 6).

4.1. Option 2 – a statutory exception for the online display of orphan works

Under this option, Member States shall be obliged to enact legislation to provide (i) a system to determine the legal status of orphan works, (ii) an exception allowing for the online display of orphan works across Europe and (iii) a suitable mechanism of redress for reappearing rightholders.

The orphan work status

Once a diligent search for the owner has been conducted in the country of origin or first publication of the work, the result of this search (the orphan works status) is mutually recognised in all EU Member States. For example: the collection of a library in Hungary contains works first published in Hungary, Germany and France. Before the Hungarian library digitises them and makes them available online, a diligent search will be carried out in Hungary, Germany and France. Once the works have been confirmed as being orphans in their respective countries of first publication, they will be recognised as orphans in Hungary as well as in all other EU Member States.¹⁴

The principle of mutual recognition would thus have the double advantage of identifying a single relevant jurisdiction where a diligent search is most conveniently conducted and of ensuring that the search would not have to be duplicated in all the

¹⁴ Information about all orphan works identified as such in the relevant jurisdictions should be available online universally and at no cost. In the event that a rightholder comes forward to make a substantiated claim of ownership in the country of first publication, the authorities in that State would revoke the 'orphan works' status and this decision, in turn, would be valid in all other Member States.

other EU Member States when their libraries contain the same orphan works in their own collection or where the orphan work will ultimately be displayed online.

Online display of orphan works

A carefully balanced and harmonised exception governing the online display of orphan works would be modelled on Articles 5(2)(c) and 5(3)(n) of Directive 2001/29.¹⁵ The exception would be limited to: (i) libraries and other institutions that are publicly accessible and can already avail themselves of existing exceptions for specific acts of reproduction and display of works on computers within library premises and (ii) works contained in their collections.¹⁶ Thus, in addition to the option of Article 5(3)(n), libraries and other public interest institutions could display orphan works online beyond the confines of library terminals, as long as this is done for non-commercial (i.e. cultural) purposes.¹⁷

Redress

A statutory exception would therefore mean that a work mutually recognised as an orphan work in the EU after a diligent search can be used by a library without infringing copyright. Member States would also be obliged to put in place a suitable mechanism of redress in favour of the reappearing rightholders. Therefore, if the owner of the orphan work subsequently reappears, the beneficiary of a statutory exception will not be held liable for acts of digital dissemination that occurred prior to the appearance of the copyright owner. Nonetheless, the reappearing owner would still be able to assert his or her rights over the work in question such as by preventing or authorising the continued online display of his work (e.g., through a collecting society, for free or against payment).

¹⁵ Directive 2001/29/EC introduced an exhaustive list of 21 exceptions and limitations to copyright protection, only one of which is mandatory. Article 5(2)(c) concerns the exception from the reproduction right "in respect of specific acts of reproduction made by publicly accessible libraries, educational establishments or museums, or by archives, which are not for direct or indirect economic or commercial advantage". Article 5(3)(n) limits the online access of works contained in their collections to computer terminals on the premises of establishments referred to in Article 5(2)(c). However, these two exceptions have not been implemented in all EU Member States which hinders the preservation efforts of EU cultural institutions. Any instrument on orphan works should therefore also require that preservation copies are allowed as a prerequisite of digital display.

¹⁶ A possible text would be: "*Member States shall provide for exceptions and limitations to the reproduction and making available rights [as provided in Articles 2 and 3 of Directive 2001/29/EC] in the following cases: the making available, by publicly accessible libraries, educational establishments or museums or by archives, of orphan works or other orphan subject matter which are contained in their collections, on condition that the making available is not for direct or indirect commercial advantage.*"

¹⁷ This option is not a blanket exception for all forms of online displays ('making available') undertaken by any form of 'digital library' initiative. Such a broad exception might enter into conflict with the three-step-test as formulated in Article 5(5) of the relevant Directive 2001/29. In order to avoid conflict with the three-step-test, the exception must be drafted more narrowly and the list of beneficiaries needs to be curtailed, at a minimum excluding those that engage in digital displays for commercial gain.

4.2. Option 3 – extended collective digital licensing

Extended collective management means that a collecting society is given a mandate to represent the interests of all rightholders even if they are not formally registered with that society. Therefore, once a contract allowing a library to use certain books (e.g. out-of-print books) is negotiated with a collecting society, the applicable national law would extend its coverage to all copyright owners beyond the known and registered members of the collecting society (including foreign rightholders). This way, orphan works in the library collection are also included in the licence. The system also provides assurance to the library against liability for infringement.

But extended collective licensing does not require that a diligent search for the owner is carried out before the orphan work becomes part of the license. All rightholders of a certain category, including the unknown owners of orphan works, are automatically captured within the extended collective licence. Consequently, the principle of EU-wide mutual recognition of orphan works status cannot operate under this option because works are not classified as orphans prior to their online display.

In Scandinavian countries (e.g. Sweden, Denmark, Finland, Norway and Iceland), extended collective management addresses the issue of orphan works.¹⁸ For example, in Norway, an agreement between the National Library and the collecting society Kopinor allow the National Library to display all books published between the years 1790-1799, 1890-1899 and 1990-1999 online. This was possible because the Norwegian Copyright Act provides that libraries, archives and museums may make works available subject to an extended collective licence.¹⁹ This pilot project will include approximately 50,000 in-copyright books (Norwegian books and Norwegian translation of foreign books), each 185 pages long on average. The Library shall pay a rate of 0.56 KRON (0.067€) per page per year. The books will only be available to users inside Norway.

4.3. Option 4 – specific licence for digital display of orphan works

Under this option, Member States shall be obliged to enact legislation to provide (i) a system to determine the legal status of orphan works, (ii) a workable licensing system allowing for the online display of orphan works across Europe and (iii) a suitable mechanism of redress for reappearing rightholders.

The orphan work status

Once a diligent search for the owner has been conducted in the country of origin or first publication of the work, the result of this search (the orphan works status) is mutually recognised in all EU Member States.

¹⁸ Extended collective licensing systems are permitted under Recital 18 of the Copyright in the Information Society Directive, which states: "This Directive is without prejudice to the arrangements in the Member States concerning the management of rights such as extended collective licences".

¹⁹ Act No. 2 of 12 May 1961 Relating to Copyright in Literary, Scientific and Artistic Works, section 16(a): "Archives, libraries and museums as described in section 16 first paragraph can make copies of published works in the collections and make such works available to the public if the conditions of the extended collective licence pursuant to section 36 first paragraph are fulfilled".

As with Option 2, the principle of mutual recognition would thus have the double advantage of identifying a single relevant jurisdiction where a diligent search is most conveniently conducted and of ensuring that the search would not have to be duplicated in all the other EU Member States when their libraries contain the same orphan works in their own collection or where the orphan work will ultimately be displayed online.

A workable licensing system governing online display across Europe

Once a diligent search in the country of first publication has established the mutually-recognised orphan status of a work across the EU, a collecting society representing the relevant category of rightholders (e.g., authors) in this country would then take care of the property interests of the unknown owner (they are deemed so-called 'foster parents' of orphan works first published in their territory).²⁰ The licensor society may then license the orphan works across the EU (multi-territorial) and either offer a tariff-free licence or charge a fee for the licence (one-off payment, annual payment, royalty, per use payment etc.).²¹ If the collecting societies require payment, such payment should be kept in escrow (see option 3 above).

Currently, existing projects such as that developed by VG Wort in Germany operate on similar lines to those described above. But the crucial difference is that the VG Wort project only allows the use of orphan works within national boundaries.²² The scheme enables both the libraries and VG WORT to conduct a diligent search, with VG WORT providing insurance to the libraries in case the rightholder reappears. The scope of the scheme is, however, limited by the absence of legislation: for instance, the library remains liable under criminal law for infringement. It is also limited to displaying only German books and solely within Germany.

Redress

With this option, Member States would also be obliged to put in place a suitable mechanism of redress in favour of the reappearing rightholders. Therefore, if the owner of the orphan work subsequently reappears, the beneficiary of a valid license will not be held liable for acts of digital dissemination that occurred prior to the

²⁰ CSPLA, *Commission sur les œuvres orphelines*, <http://www.cspla.culture.gouv.fr/CONTENU/rapoeuvor08.pdf>. In order to ensure that the interests of owners of orphan works are aptly represented, Member States should ensure that a collecting society established in their territory has both the competence and the procedures in place to administer orphan works.

²¹ The licence fee may be subject to relevant controls such as a special tribunal or competition authority, in order to ensure that the fee is not excessive with regard to the non-commercial and cultural missions of public libraries.

²² For example, the German National Library, the publisher association "Börsenverein" and the collecting society VG WORT have agreed on a scheme permitting the online display of books held by the National Library. Under the scheme, the library must conduct a preliminary search for owners of books. VG WORT then conducts further searches. If none of the owners of the requisite rights are found, VG WORT collects remuneration from the library for the use of the work. If the owner subsequently reappears, the remuneration will be handed back to him as indemnification. The reappearing owner may also decide to not to allow the library to use his work any longer.

appearance of the copyright owner. Nonetheless, the reappearing owner would still be able to assert his or her rights over the work in question such as by preventing or authorising the continued online display of his work (e.g., through a collecting society, for free or against payment).

4.4. Option 5 – centrally granted State licence for digital display of orphan works

Under this option, Member States shall be obliged to enact legislation to provide (i) a system to determine the legal status of orphan works, (ii) a workable Government authorisation allowing for the online display of orphan works across Europe and (iii) a suitable mechanism of redress for reappearing rightholders.

The orphan work status

Once a diligent search for the owner has been conducted in the country of origin or first publication of the work, the result of this search (the orphan works status) is mutually recognised in all EU Member States.

Member States would be obliged to designate a special national public body (e.g. a copyright tribunal) that would be (1) responsible for monitoring that users have conducted a diligent search in accordance with relevant criteria and (2) authorised to issue licences to digitise and display the orphan works online.²³

As with Options 2 and 4, the principle of mutual recognition would thus have the double advantage of identifying a single relevant jurisdiction where a diligent search is most conveniently conducted and of ensuring that the search would not have to be duplicated in all the other EU Member States when their libraries contain the same orphan works in their own collection or where the orphan work will ultimately be displayed online.

Online display

Subsequent to a diligent search and the establishment of the orphan work status, the public body would issue a licence to the library. The public body could choose to issue a licence for a limited duration and/or for limited uses and require that the licence expires in the event that a parent reappears before the licence terminates. Member States may choose to issue a tariff-free licence in particular given the non-commercial use that libraries will make of the orphan works. Should Member States choose to charge a fee this should be proportionate to the use.

This option is modelled on the Canadian Copyright Law.²⁴ However, as with the VG Wort example mentioned above, the licence is limited to the national (i.e. Canadian) territory.

²³ In the EU, Hungary has recently introduced a system combining a central mechanism with extended collective licensing (Article 57/A of the Hungarian Copyright Act).

²⁴ Art 77-78 of the Canadian Copyright Act contains specific provisions that enable the use of orphan works. Once the Copyright Board has determined that the user has made a reasonable attempt to locate

Redress

Any royalties would be kept in escrow for a limited period. Unclaimed funds could be reinvested in locating missing rightholders or to assist libraries in their digitisation efforts. Member States would be obliged to set up a suitable mechanism of redress for the reappearing rightholder.

4.5. Option 6 – mutual recognition of 'orphan works' made available by libraries

Under this option, Member States shall be obliged to enact legislation to provide (i) a system to determine the legal status of orphan works, (ii) a workable rights clearance system allowing for the rapid online display of orphan works in their territories; (iii) a system of mutual recognition for the online display executed in their respective territories; and (iv) a suitable mechanism of redress for reappearing rightholders.

This option relies on the twofold operation of the principle of mutual recognition:

The orphan work status:

Once a diligent search for the owner has been conducted in the country of origin or first publication of the work, the result of this search (the orphan works status) is mutually recognised in all EU Member States. The principle of mutual recognition would thus have the double advantage of identifying a single relevant jurisdiction where a diligent search is most conveniently conducted and of ensuring that the search would not have to be duplicated in all the other EU Member States when their libraries contain the same orphan works in their own collection or where the orphan work will ultimately be displayed online.

Mutual recognition of online display:

While each Member State may be free to regulate the conditions under which an identified orphan work can be made available by libraries in its territory, all the other Member States would recognise the legality of that act and, in consequence, allow access to this work for all residents of their territories.

Redress

As with Options 2, 4 and 5 Member States would also be obliged to put in place a suitable mechanism of redress in favour of the reappearing rightholders. Therefore, if the owner of the orphan work subsequently reappears, the beneficiary of a valid authorisation to display the orphan online will not be held liable for acts of digital dissemination that occurred prior to the appearance of the copyright owner. Nonetheless, the reappearing owner would still be able to assert his or her rights over

the rightholder, it will grant a non-exclusive licence for the proposed use, subject to specific terms and conditions including which uses are authorised, the fees to be paid (normally made to a collecting society) and the expiry date of the licence. Licences to use a work are granted only if the work has been published. The licence is limited to the territory of Canada. Rightholders can collect the royalties or take action to recover them not later than five years after the expiration of a licence. Otherwise, the collecting society is usually allowed to dispense of the royalties for its members' general benefit.

the work in question such as by preventing or authorising the continued online display of his work (e.g., through a collecting society, for free or against payment).

5. PRELIMINARY EVALUATION OF THE OPTIONS

While any approach based on safeguarding the integrity of the copyright system of prior authorisation is naturally predisposed to options that involve the licensing of rights, even if the author is unknown, the three orphan works licensing options that have been evaluated all revealed gaps and limitations in respect of European wide access to orphan works.

The Nordic system of "extended collective licensing" (option 3) appears quite legitimate at national level, but fails to deliver EU wide access. This is because the "extension effect" of any copyright licence to comprise orphan works can only operate at national level. This, in turn, is due to the fact that the extension requires a provision in national law. The extension effect therefore does not cover the licensing of orphan works across borders.

In addition, extended collective licensing could prove to be complex for libraries. The library would have to seek an arrangement covering the digital display of a variety of works. Only if such a framework agreement were in place, could orphan works be added to its scope ("extension effect"). On the other hand, libraries would be immune from any possible infringement claims from any rightholder (known or unknown).

Another drawback of extended collective licensing is the lack of differentiation between usage tariff for orphan works and those tariffs that apply to the rest of the works subject to the licence. This becomes evident when analysing the Norwegian "Bokylla" library project, which includes 50,000 in copyright books. All books comprised in this project are licensed at the same rate of €0.067 per page per year. The level of payment due for an orphan work is identical to that due for a work of a known rightholder. Consequently, it appears that all orphan works attract full rates for all past and future uses. According to the Norwegian model, an average orphan work comprising 185 pages would generate annual display costs of € 13. Should a library wish to display 1,000 orphan books, it will incur annual licensing costs of € 13,000. If one or several libraries display a million orphan books, the annual cost of doing so would amount to € 13 million. If, for example, the estimated 50 million orphan works that exist in the United Kingdom were licensed under the terms of an extended collective licensing scheme, this would create an annual licensing cost to British libraries amounting to € 650 million. As an indicator of the magnitude of such a sum, for the year 2008/2009, the total domestic reprography income of the Copyright Licensing Agency²⁵ in the UK amounted to € 63.5 million and the budget of British Library amounted to € 140 million.²⁶

²⁵ The CLA licences the reprographic copying of books in libraries.

²⁶ <http://www.bl.uk/aboutus/foi/pubsch/pubscheme2/Financial%20Summary%200809.pdf>

A system for issuing specific licences covering only orphan works (option 4) could, on the other hand, cover the whole EU.

The disadvantage of this option is, however, that the European orphan works licences would cover only the orphan works published in one country (the country where the orphan work was first published and where the diligent search leading to its classification as an orphan work was conducted). A separate licence for online display of a recognised orphan work would have to be obtained with *each* collecting society operating in the country of first publication. If a library collection comprises works published in several jurisdictions (or translations of foreign orphans, book illustrations first published abroad, etc.), this would introduce the need to obtain multiple licences (repertoire fragmentation). Several licences covering orphan works from several jurisdictions would become necessary to provide EU-wide access to orphan works in a library's collection. This complexity would have detrimental repercussions on the free movement of information across the EU.

The need to obtain a separate licence for orphan works first published in different countries would re-introduce a certain level of complexity in providing pan-European access to all orphan works within a library collection (and to translations of foreign orphans, to illustrations, etc.). It would still allow Google (which will not face this complexity under the US Settlement) to enjoy a competitive advantage in the global race to create attractive online libraries.

Finally, the option of a Government licence allowing the online display of recognized orphan works (option 5) is very cumbersome (in Canada, a country which practices this system, on average only about 15 licences are granted per year). In addition, the Member State licence is again limited to the national territory.

National government licences could indeed prove complex for libraries. The library would have to seek an arrangement covering each work separately; as the Canadian model shows, this work-by-work search and clearance process is rather cumbersome, time consuming (two months on average) and yields a few licences per year only. From 1990 to 2009, there were only 243 approved uses of orphan works. Such a work-by-work clearance process might not be conducive to stimulate large scale digitisation projects. The mass-scale clearance requirements inherent in the creation of digital libraries were quite clearly not what the Canadian licensing model had in mind.

The option that would have the most immediate benefit for the creation of a European Digital Library is a statutory exception (option 2). This option requires no licensing, although Member States would be obliged to provide for systems of effective redress in case the legitimate owner reappears.

Although a library would still have to incur the cost of a diligent search, they would avoid the cost of overlapping searches and licensing. This would create a level playing field between large and smaller institutions. Duplicate searches will be avoided, freeing up the potential of a greater number of orphan works being digitised and made available online. The risk of creation of a "20th century black hole" will be mitigated.

But a statutory exception raises a series of concerns of principle related to the nature of copyright: the mere fact that the author is unknown does not mean he has given up

ownership of his work. The statutory exception could therefore prove difficult to accept by all stakeholders.

This leaves a compromise solution: mutual recognition of regulatory approaches (option 6). This option requires that each Member State remains free to apply its national rules on the identification and posting online of orphan works. But once the work is identified as an orphan work in a Member State (the country of first publication), this decision is recognized throughout the European Union. Secondly, once an orphan work has been posted lawfully in the country of first publication - under a collective licence, a Government authorisation or a statutory exception - this decision would be recognized in all other Member States.

Mutual recognition is therefore the option most respectful of subsidiarity and least intrusive with respect to local arrangements for the legal display of a recognised orphan work. This option is therefore most likely to produce immediate results.