

**COPYRIGHT'S DEUS EX MACHINA:
REVERSE REGISTRATION AS ECONOMIC FOSTERING OF ORPHAN WORKS**

Abstract: Changes in copyright law over the last several decades has created a proliferation of orphan works, or works for which no copyright owner can be found. People wishing to use or adapt these works are unable to obtain permission, and so their status hampers business development and limits the free exchange of new ideas. This paper investigates the problem of orphan works and the various proposed solutions. It concludes by rejecting all proposed solutions and suggesting a new and novel solution that avoids the economic pitfalls of others, while maintaining the policy balance sought by modern copyright law.

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I. INTRODUCTION

Orphan works present a particularly difficult problem for copyright law. Orphan works can most easily be understood as those for which no copyright owner can be found.¹ As a result, people wishing to use or adapt these works are unable to obtain permission. This places a high burden on those wishing to use orphan works, hinders the preservation of older works that make up our cultural heritage, and limits the free exchange of new ideas.²

The Orphan Works Act of 2006,³ or similar legislation, if enacted, will modify copyright protections in a manner favoring certain categories of creative works to the detriment of others. Legislation is needed to address the problem of orphan works; however, as the orphan works problem is ultimately one of market failure,⁴ legislation should provide a framework for a market-based solution that offers equal protection to all types of creative works while striking the proper balance between the rights of copyright holders and users. I propose a system of reverse registration, that is to say, a requirement that people who use works believed to be orphaned register their use and pay standardized fee into a centrally managed fund.

¹ U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS (2006).

² See Letter of Sen. Orrin Hatch requesting the Copyright Office research and report on the orphan work problem, *Id.*, at iii.

We have heard that this situation places an unnecessary burden on those who wish to use orphan works: They cannot reduce the risk that their use of the work might result in copyright infringement, and therefore would likely choose not to use the work. This would be unfortunate and inconsistent with the purpose of the Copyright Act, because in such cases it would seem that although no one objects to the use, the public nevertheless is deprived of access to that work.

Id.

³ Orphan Works Act, H.R. 5439, 109th Cong. (2006).

⁴ See Wendy J. Gordon, *Excuse and Justification in the Law of Fair Use: Transaction Costs Have Always Been Part of the Story*, 50 J. COPYRIGHT SOC'Y U.S.A. 149, 150-51 (2003). In terms of copyright policy, I adopt a broad definition of market failure similar to that posited by Gordon, including both the market failure in the classic economics sense—high transactions inhibiting market transactions where they would otherwise be likely—and also in the sense of failing to meet public goals, as when the law prevents privately motivated transactions to meet stated public policy goals. *Id.*

Part II of this article delineates the contours and scope of the orphan works problem, including how and why works become orphaned and the resulting problems they create in the market and marketplace for ideas. Part III details the leading proposed solutions to the orphan works problem, providing a critical analysis of each. Finally, Part IV proposes a market-based resolution to the orphan works issue that respects the rights of copyright holders balanced against the need for access by users and the market.

II. THE PROBLEM OF ORPHAN WORKS

The problem of orphan works, works for which no copyright owner can be found,⁵ pervades all areas, perhaps none more than the book publishing, music, and movie industries as they grapple with changes to their industry caused by the Internet and related technology advancements.⁶ The in only modern economic analysis of intellectual property, Professor William Landes and Judge Richard Posner said that that they are “skeptical that the noneconomic theories of intellectual property have much explanatory power or . . . significance.”⁷ However, their analysis purposefully ignored the impact the Internet has had on the costs of production and distribution.⁸ This part looks at the problems orphan works create, why they exist, and how they impact the marketplace, particularly in light of long tail economics, a market phenomenon emerging due to the Internet’s low distribution costs.

⁵See generally REPORT ON ORPHAN WORKS, *supra* note 1. The Copyright Office proposed to define the orphan works problem to be a “situation to be one where the use sought goes beyond any limitation or exemption to copyright, such as fair use.” *Id.*

⁶ Letter of Rep. Howard Berman requesting the copyright office research and report on orphan work problem, REPORT ON ORPHAN WORKS, *supra* note 1, at iv (“The ‘orphan’ status of many works significantly impedes the ability of both commercial and non-commercial actors to utilize those works”).

⁷ WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW, 5 (2003).

⁸ *Id.* at 7 (admitting that the impact of the Internet may be on of the central issue of intellectual property law today, they declined to cover it because it would unduly “extend a already long book”).

A. The Impact of Orphan Works

Over 1,200 silent films from the 1920's are still under copyright. According to a 1993 report on film preservation by the Librarian of Congress, more than 80 percent of films made before 1929 had been lost to deterioration because they were orphan works.⁹ Likewise, a feasibility study by Carnegie Mellon University Library on obtaining permission to digitize and provide web-based access for its collection could not locate 22% of publishers.¹⁰ In addition to the personal use and cultural issues orphan works create, they also limit the ability to take advantage of the new markets developing as a result of the low cost of digital distribution.¹¹

Atlantic Monthly writer Charles C. Mann has argued that enhanced access to copyrighted works over the Internet has modified common perceptions of intellectual property rights.¹² In a 2000 article he argued that the Internet had created a “heavenly jukebox,” a “vast intellectual commons [in which] nothing will ever again be out of print or impossible to find; every scrap of human culture transcribed, no matter how obscure or commercially unsuccessful, will be available to all.”¹³ This ease of access has also modified the thinking behind what constitutes commercial success. For example, music retailers have found that the “80-20 rule,” or the Pareto principle, becomes irrelevant when they make their entire catalog available online, no matter how obscure or commercially unsuccessful it might have originally been.¹⁴ The normal Pareto

⁹ LIBRARIAN OF CONGRESS, REPORT ON FILM PRESERVATION 1993: A STUDY OF THE CURRENT STATE OF AMERICAN FILM PRESERVATION, 5 (1993).

¹⁰ REPORT ON ORPHAN WORKS, *supra* note 1, at 22.

¹¹ See Raymond Shih Ray Ku, *The Creative Destruction of Copyright: Napster and the New Economics of Digital Technology*, 69 U. Chi. L. Rev. 263 (2002).

¹² Charles Mann, *The Heavenly Jukebox*, ATLANTIC MONTHLY, Sept. 2000, available at <http://www.theatlantic.com/issues/2000/09/mann.htm>.

¹³ *Id.*

¹⁴ Patrick Murck, Comment, *Waste Content : Rebalancing Copyright Law To Enable Markets Of Abundance*, 16 ALB. L.J. SCI. & TECH. 383, 415 (2006) explaining that “in a market[s] of ubiquity and abundance, the Pareto

distribution, where 20% of hit titles amount for 80% of the in-store sales, is replaced by a new phenomenon unique to markets of abundant choice called the “long tail,”¹⁵ named for the sales curve that tails off endlessly.¹⁶

Long-tail economics has been described as an “inversion of the Pareto principal,” where leveraging the Internet’s low distribution costs allows online retailers to “extract profits from books, music, and movies that could not profit in an offline retail environment.”¹⁷ A relevant example of long-tail economics is the company Netflix, an online-only DVD rental store with more than 65,000 titles available.¹⁸ At the November 2005 Lehman Brothers Small Cap Conference, Netflix’s Chief Financial Officer compared the Netflix business model with that of their chief competitor, Blockbuster.¹⁹ Whereas Blockbuster had historically reported “that about 90% of the movies they rent [in physical stores were] new theatrical releases,” at Netflix “about 30% . . . is new releases and about 70% is back catalog.”²⁰

Another example is Amazon.com, which makes up a majority of its book sales from outside the 130,000 best selling titles that are stocked in typical book superstores, such as Barnes

principal is not only without relevance, but the modalities based on this assumption stifle the promise of ubiquitous content and minimal distribution costs”).

¹⁵ Chris Anderson, *The Long Tail*, WIRED MAGAZINE, Oct. 2004, available at <http://www.wired.com/wired/archive/12.10/tail.html>.

With no shelf space to pay for and, in the case of purely digital services like iTunes, no manufacturing costs and hardly any distribution fees, a miss sold is just another sale, with the same margins as a hit. A hit and a miss are on equal economic footing, both just entries in a database called up on demand, both equally worthy of being carried. Suddenly, popularity no longer has a monopoly on profitability.

Id.

¹⁶ Murck, *supra* note 14, at 415–16.

¹⁷ Ronald J. Mann and Seth R. Belzley, *The Promise Of Internet Intermediary Liability*, 47 WM. & MARY L. REV. 239, 245 n.13 (2005).

¹⁸ See Netflix, Inc. Corporate Press Kit, available at <http://www.netflix.com/MediaCenter?id=1005>.

¹⁹ Presentation of Barry McCarthy, Lehman Bros. Small Cap. Conference held in New York, NY (Nov.15, 2005) (on file with author).

²⁰ *Id.*

& Noble or Borders.²¹ Amazon has found that there is a greater market for books not usually even being sold than those typically available to consumers.²²

One of the keys to the development of new long tail markets is making abundant choices of content available, which is significantly impeded by the orphan works problem. In addition to making the orphan works available, the method for clearing licensing rights cannot be cumbersome as the long tail is dependent on low transaction costs.²³ Content in the tail becomes unmarketable when carrying costs due to clearance outweigh what the content will make in incremental revenue. Even when the copyright owner will license a work for free, just the search cost to locate the owner may make the work commercially non-viable.²⁴

A related problem is “dark content,” works no longer available to the public because they are no longer commercially viable, such as when they contain copyrighted material no longer under license.²⁵ This happens when the original license has expired and a new license is not available because the copyright owner refuses, the requested terms are cost prohibitive, or the included work is orphaned.²⁶ The oft-cited example of dark content is the Oscar nominated and Emmy winning documentary on the civil rights movement, *Eyes on the Prize: America's Civil Rights Years/Bridge to Freedom 1965*, which originally aired on PBS in 1987 and is no longer

²¹ Chris Anderson, *The Long Tail*, WIRED MAGAZINE, Oct. 2004, available at <http://www.wired.com/wired/archive/12.10/tail.html>.

²² Michael Geist, *All Rights Reserved? Cultural Monopoly and The Troubles With Copyright*, lecture delivered at the Ninth Annual Honorable Helen Wilson Nies Memorial Lecture in Intellectual Property held April 5, 2006 at Marquette University Law School, 10 MARQ. INTELL. PROP. L. REV. 411, 424 (2006).

²³ Murck, *supra* note 14, at 415.

²⁴ *Eldred v. Ashcroft*, 537 U.S. 186, 248 (2003) (Breyer, J., dissenting) (noting that “search costs that themselves may prevent reproduction even where the author has no objection”).

²⁵ Murck, *supra* note 14, at 415.

²⁶ *Id.*

available.²⁷ Containing a vast amount of archive footage, the original producers could only afford licenses for five years.²⁸ It cost over \$500,000 to renew the rights and removed the work from the public from 1993 till 2005.²⁹

B. How Changes in Copyright Law Have Created Current Orphan Works Problem

While orphan works have always existed to some small degree, only recently has the phenomena become a burden on users seeking the owner of copyrighted works. This modern orphan works problem exists due to sweeping changes in copyright law. The United States has entered into multilateral international agreements administered by the World Intellectual Property Organization (“WIPO”) that are specific to copyright,³⁰ including the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”).³¹ The United States must adhere to the obligations imposed by these treaties as a minimum level of protection when it sets its copyright law, which is currently reflected in the Copyright Act of 1976, as amended. While the changes required by the Berne Convention and TRIPS made it easier for authors to gain

²⁷ Patricia Aufderheide and Peter Jaszi, *Untold Stories: Creative Consequences of the Rights Clearance Culture for Documentary Filmmakers*, 19 (2004), available online at http://www.centerforsocialmedia.org/files/pdf/UNTOLDSTORIES_Report.pdf. Clayborne Carson, history professor at Stanford University, has called *Eyes on the Prize* “the principal film account of the most important American social justice movement of the 20th century.” Katie Dean, *Bleary Days for Eyes on the Prize*, WIRED MAGAZINE, Dec. 2004, available at <http://www.wired.com/news/culture/0,1284,66106,00.html>.

²⁸ Patricia Aufderheide and Peter Jaszi, *Untold Stories: Creative Consequences of the Rights Clearance Culture for Documentary Filmmakers*, 19 (2004), available online at http://www.centerforsocialmedia.org/files/pdf/UNTOLDSTORIES_Report.pdf.

²⁹ Katie Dean, *Cash Rescues Eyes on the Prize*, WIRED MAGAZINE, Aug. 2005, available at <http://www.wired.com/news/culture/digiwood/0,68664-0.html>. The license rights were reacquired in 2005 thanks to a \$600,000 grant from the Ford Foundation and \$250,000 donation from philanthropist Richard Gilder. *Id.*

³⁰ The Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, 25 U.S.T. 1341, 828 U.N.T.S. 211 (last revised at Paris, July 24, 1971) [hereinafter Berne Convention]; the Universal Copyright Convention, Sept. 6, 1952, 6 U.S.T. 2731, 216 U.N.T.S. 132; the WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 36 I.L.M. 76, and the WIPO Copyright Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 36 I.L.M. 65.

³¹ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 33 I.L.M. 81 (1994) [hereinafter TRIPS Agreement] (incorporating the requirements for copyrights of the Berne Convention).

protection, the changed also created orphan works wholesale by doing away with copyright formalities and through repeated retroactive copyright term extensions.

Traditionally, copyright protection in the United States was conditioned on the author of a work following a number of formalities, including registering the work with the Copyright Office.³² After 186 years, the omnibus revision to the Copyright Act in 1976 did away with any formalities and, for the first time, protected an original work fixed in any tangible medium of expression from the instant of creation and without requiring registration, which is prohibited by the Bern Convention.³³ Unlike the previous United States copyright law, the Copyright Act of 1909,³⁴ the amendments to the 1976 Act also made the notice requirement optional and increased the term of copyright from 28 years, renewable, to life of the author plus 50 years.³⁵

Most works become orphaned due to the following:

(1) inadequate identifying information on a copy of the work itself; (2) inadequate information about copyright ownership because of a change of ownership or a change in the circumstances of the owner; (3) limitations of existing copyright ownership information sources; and (4) difficulties researching copyright information.³⁶

³² Jerry Brito & Bridget Dooling, *An Orphan Works Affirmative Defense To Copyright Infringement Actions*, 12 MICH. TELECOMM. & TECH. L. REV. 75, 82 (2006) (citing 1 William F. Patry, 1 COPYRIGHT LAW AND PRACTICE 408-12 (1994)). “Authors were also required to deposit a copy of their work with the Library of Congress, fix notice of copyright protection on the work, renew copyright status after a period of time, and comply with other formalities before they gained protection.” *Id.* at 82.

³³ REPORT ON ORPHAN WORKS, *supra* note 1, at 3–4; *see also* Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485 (2004).

³⁴ Under the 1909 Act, copyright protection vested upon publication of the work with the required notice of copyright attached. Copyright Act of 1909, ch. 320, § 19, 35 Stat. at 1079.

³⁵ REPORT ON ORPHAN WORKS, *supra* note 1, at 3–4; *see also* Sonny Bono Copyright Term Extension Act (“CTEA”), Pub. L. No. 105-298, 112 Stat. 2827 (1998) (codified as amended 17 U.S.C. §§ 105, 108, 203, 301-04) (retroactively extending the term by 20 years for works copyrighted after January 1, 1923, and “life plus 70 years” for works created since 1978).

³⁶ REPORT ON ORPHAN WORKS, *supra* note 1, at 2.

After the 1976 Act, all works must now be assumed to be protected.³⁷ After the Berne Convention Implementation Act of 1988 made the notice requirement permissive, a majority of works no longer carry indicia of provenance.³⁸ The lack of a copyright notice requirement makes the task of ascertaining if a work is copyrighted and, if so, by whom, a difficult task, if not impossible in many situations. Additionally, no registration records exist to help determine if a work has entered the public domain.³⁹ Any potential user of a work therefore faces uncertainty and risks an infringement action and liability when they are unable to positively establish ownership and gain permission or a license to use a work.⁴⁰

Another large contributor to the orphan works problem has been the term extensions for copyrights. When Congress enacted the Sonny Bono Copyright Term Extension Act in 1998, it retroactively extended the term for all works by 20 years.⁴¹ This had the effect of keeping the oldest copyrighted works out of the public domain until at least 2019.⁴² Incidentally, these are the works for which it is often most difficult to locate copyright holders. The copyright extensions, like the Sonny Bono Copyright Term Extension Act, “increase the number of works .

³⁷ “[T]he elimination of the notice requirement . . . has effectively created a presumption that everything that is potentially copyrightable is copyright protected.” Ann Bartow, *Fair Use and the Fairer Sex: Gender, Feminism, and Copy Right Law*, 14 AM. U.J. GENDER SOC. POL’Y & L. 551, 567 (2006).

³⁸ An owner was previously required to designate a work as copyrighted using the symbol © or the word Copyright, or Copr., the year of publication, and the name of the copyright owner. 17 U.S.C. § 401(b) (2000). The notice requirement was carried forward by the Copyright Act of 1976, but was changed from mandatory to permissive as of March 1989 by the Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, § 7, 102 Stat. 2853, 2857-59 (1988); Copyright Act of 1976, Pub. L. No. 94-553, § 401(a), 90 Stat. 2541, 2576 (1976) (current version at 17 U.S.C. § 401(a) (2000)).

³⁹ REPORT ON ORPHAN WORKS, *supra* note 1, at 3–4.

⁴⁰ *Id.* at 1.

⁴¹ Sonny Bono Copyright Term Extension Act (“CTEA”), Pub. L. No. 105-298, 112 Stat. 2827 (1998) (codified as amended 17 U.S.C. §§ 105, 108, 203, 301-04) (retroactively extending the term by 20 years for works copyrighted after January 1, 1923, and “life plus 70” for works created since 1978).

⁴² Jerry Brito & Bridget Dooling, *An Orphan Works Affirmative Defense To Copyright Infringement Actions*, 12 MICH. TELECOMM. & TECH. L. REV. 75, 84 (2006).

. . [likely to] become orphan works.”⁴³ In short, as the copyright term increases, it becomes more difficult to locate copyright holders and, therefore, the number and probability of orphan works increases.

All of these contributors had the effect of increasing search costs. At the same time, advances in technology has let to the creation of more fixed works than ever before, most with less documentation than historically found, and on media that is not as permanent as that for previous works.⁴⁴ This exacerbates the orphan works problem by making the search more difficult, and nearly ensures that works on impermanent media will be long lost before the copyright term of “life plus seventy years” is past.⁴⁵

Congress has been unwilling to solve the orphan works problem. While Congress briefly considered orphan works during the last four proposed modifications to copyright law, it received little real attention from lawmakers.⁴⁶ This changed with *Eldred v. Ashcroft*,⁴⁷ in which the United States Supreme Court considered the constitutionality of the Copyright Term Extension Act of 1998 (CTEA).⁴⁸ The case caused substantial controversy, especially concerning the creation of orphan works as an unintended consequence of CTEA. As a result, the Senate Committee on the Judiciary requested the Copyright Office to review and report on orphan works. Following the Copyright Office’s investigation, its report correctly concluded that a legislative solution is required. Shortly thereafter, Congressman Lamar Smith introduced the

⁴³ *Id.* at 84

⁴⁴ CTR. FOR THE STUDY OF THE PUB. DOMAIN, DUKE LAW SCHOOL, ORPHAN WORKS: ANALYSIS AND PROPOSAL, 3 (2005), available at <http://www.law.duke.edu/cspd/pdf/cspdproposal.pdf>.

⁴⁵ *Id.*

⁴⁶ Family Entertainment and Copyright Act of 2005, Pub. L. No. 109-9, §202, 119 Stat. 218, 223-24 (2005) (giving public libraries an exemption from infringement liability for orphan works).

⁴⁷ *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

⁴⁸ Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (1998) (codified as amended 17 U.S.C. §§ 105, 108, 203, 301-04).

Orphan Works Act of 2006.⁴⁹ As written, the Act rejects many of the Copyright Office's proposals and is an incomplete solution.

III. CURRENT INADEQUATE PROPOSED SOLUTIONS

Current proposals are inadequate. The Orphan Works Act and the proposal contained in the Copyright Office's Report on Orphan Works both propose solutions that require some sort of "good faith, reasonably diligent" search for the missing owner of a copyright, ignore the attendant costs of those searches, and ignore balancing the rights of copyright holders and users. Both also open the door for massive infringement of categories of works that, unlike books or movies, do not typically carry indicia of provenance; examples include most visual arts, such as photographs, illustrations, and graphic designs.⁵⁰ Another proposed solution, the Public Domain Enhancement Act,⁵¹ would restore the formality of renewal registration and reduce the initial copyright period to 50 years the date of initial publication. All three proposals are likely in contravention of the United States' treaty obligations.⁵² The Bern Convention clearly prohibits any registration or fee requirement to gain copyright protection, and may also prohibit the requirement that a copyright owner maintain accessibility else have his protections diminished under the "good faith, reasonably diligent" search provisions of the first two proposals.⁵³ The final section briefly describes three additional proposal's and the main flaw of each.

A. The Copyright Office's Proposal Contained in Its Report on Orphan Works

⁴⁹ H.R. 5439.

⁵⁰ "Under [H.R. 5439], . . . infringement of any visual art, past, present, and future, regardless of age, country of origin, published or unpublished, is permissible whenever the rights holder cannot be identified or located." Illustrators' Partnership, *Orphan Works Update*, available online at http://www.illustratorpartnership.org/01_topics/article.php?searchterm=00237 (last visited Aug. 18, 2006).

⁵¹ Public Domain Enhancement Act, H.R. 2408, 109th Cong. (2005).

⁵² The Berne Convention states that "[t]he enjoyment and exercise of these rights shall not be subject to any formality." Berne Convention, Article 5(2).

⁵³ Lawrence Lessig, *Letter to Congresswoman Zoe Lofgren regarding the Copyright Office's Report on Orphan Works*, 1, March 6, 2006, available at <http://www.lessig.org/blog/archives/20060306-lofgren.pdf>.

The Copyright Office’s proposal recommends that the Copyright Act be amended to specifically limit the remedies available to a copyright owner when the infringer was unable to locate a copyright owner through conducting a reasonably diligent search, and attributed the work to the author, when possible and appropriate, during the entire period of infringement.⁵⁴

The Copyright Office’s proposed legislative language is, in full, as follows:

SECTION 514: LIMITATIONS ON REMEDIES: ORPHAN WORKS

(a) Notwithstanding sections 502 through 505, where the infringer:

(1) prior to the commencement of the infringement, performed a good faith, reasonably diligent search to locate the owner of the infringed copyright and the infringer did not locate that owner, and

(2) throughout the course of the infringement, provided attribution to the author and copyright owner of the work, if possible and as appropriate under the circumstances, the remedies for the infringement shall be limited as set forth in subsection (b).

(b) LIMITATIONS ON REMEDIES

(1) MONETARY RELIEF

(A) no award for monetary damages (including actual damages, statutory damages, costs or attorney’s fees) shall be made other than an order requiring the infringer to pay reasonable compensation for the use of the infringed work; provided, however, that where the infringement is performed without any purpose of direct or indirect commercial advantage, such as through the sale of copies or phonorecords of the infringed work, and the infringer ceases the infringement expeditiously after receiving notice of the claim for infringement, no award of monetary relief shall be made.

(2) INJUNCTIVE RELIEF

(A) in the case where the infringer has prepared or commenced preparation of a derivative work that recasts, transforms or adapts the infringed work with a significant amount of the infringer’s expression, any injunctive or equitable relief granted by the court shall not restrain the infringer’s continued preparation and use of the derivative work, provided that the infringer makes payment of reasonable compensation to the copyright owner for such preparation and ongoing use and provides attribution to the author and copyright owner in a manner determined by the court as reasonable under the circumstances; and

(B) in all other cases, the court may impose injunctive relief to prevent or restrain the infringement in its entirety, but the relief shall to the

⁵⁴ REPORT ON ORPHAN WORKS, *supra* note 1, at 95–96.

extent practicable account for any harm that the relief would cause the infringer due to the infringer's reliance on this section in making the infringing use.

(c) Nothing in this section shall affect rights, limitations or defenses to copyright infringement, including fair use, under this title.

(d) This section shall not apply to any infringement occurring after the date that is ten years from date of enactment of this Act.⁵⁵

From the standpoint of economics, there are three main problems with the Copyright Office's Proposal: proposed Section 514(b)(1)(A), limiting monetary relief, creates a perverse incentive to knowingly infringe on orphan works; proposed Section 514(c) which allows other limitations and defenses does not create the risk necessary for users to attempt to comply with the proposed orphan works provision, limiting its usefulness; and, the ten year sunset provision, Section 514(d), diminishes the incentive to make productive uses of orphaned works to the degree that the purpose of the legislation is effectively undermined.

The Orphan Works Report states the purpose the proposal to be "two overarching and related goals:"

First, any system to deal with orphan works should seek primarily to make it more likely that a user can find the relevant owner in the first instance, and negotiate a voluntary agreement over permission and payment, if appropriate, for the intended use of the work. In this sense the system should encourage owners to make themselves known and accessible to potential users, and encourage users to make all reasonable efforts to find the owners of the works they wish to use.⁵⁶

Put differently, the Copyright Office's believes that any solution to the orphan works problem must make searches more productive and limit searches that are likely to be ineffective.

Second, where the user cannot identify and locate the copyright owner after a reasonably diligent search, then the system should permit that specific user to make use of the work, subject to provisions that would resolve issues that might arise if the owner surfaces after the use has commenced.⁵⁷

⁵⁵ *Id.* at 127.

⁵⁶ *Id.* at 95.

⁵⁷ *Id.* at 96.

This goal, as indicated in Orphan Works Report, is predicated on the belief that it would be unlikely for copyright owners to then show up once a reasonably diligent search had failed to locate a copyright owner.⁵⁸ This assumption is not based on analysis of current infringing uses and does not account for the anticipated increase in infringing use once the proposal goes into effect.

The limitation on monetary damages contained in proposed Section 514(b)(1)(A) creates an incentive to purposefully infringe orphan works. Additionally, without the possibility of obtaining attorney's fees to collect the "reasonable compensation for the use of the infringed work," entire classes of works of low value could be used with the infringing user safe in the belief that the owner will never step forward, or that denying a copyright owner's initial request for payment would end the matter. For the owner of the copyright in low-value works, the cost of pursuing collection from infringers would outweigh any fee eventually collected, creating a disincentive to pursue collection. This insufficient economic incentive to pursue infringement claims when the infringing user refuses to pay a reasonable licensing fee effectively leaves the copyright owner without remedy. This is especially true for works, such as photographs, where potential infringing users can be certain to find orphaned works for which a "reasonably diligent search" would not locate the copyright owner.⁵⁹ Thus, unscrupulous businesses could simply

⁵⁸ *Id.* at 77-79.

⁵⁹ Brad Holland and Cynthia Turner, *IPA Written Testimony re Orphan Works Amendment*, HOUSE JUDICIARY SUBCOMMITTEE, March 14, 2006, available at http://www.illustratorpartnership.org/01_topics/article.php?searchterm=00200.

Many artists in markets such as advertising and proprietary research enter into exclusive licensing arrangements with their clients. Because these artists are rarely permitted to sign and mark their work, this art would be subject to orphan status from its conception.

Id.

target these classes of low-value works for infringement knowing that they will never have to pay for their use.

By allowing other limitations and defenses, Proposed Section 514(c) does not create the risk necessary to gain compliance. Simply put, by allowing a no-cost alternative defense, such as fair use, then there is no real incentive for individuals and hobbyist users to conduct a search, no matter how low the cost.

Proposed ten-year sunset provision of Section 514(d) undermines the purpose of the legislation, by decreasing the incentives to make productive works of orphaned works. Assuming that every Broadway producer wants to create the next blockbuster, such as Andrew Lloyd Webber's "Cats," which ran for 7485 performances between Oct 7, 1982 and Sep 10, 2000,⁶⁰ there is little incentive to for them use orphan works without the guarantee of continued protections past the ten-year period. For example, the producer wishing to turn the diary of an unknown child written during the dustbowl era into a play may decline to do so, electing instead to create the entire story from fiction, thereby decreasing its historical and cultural value, or working on a different story altogether, all with the hope that her show will play for more than ten years.

In sum, the proposal of the Copyright Office is unworkable as providing few true incentives to meet its stated goals while simultaneously opening the floodgates for a surge in infringement under the umbrella of the new protections. This is not surprising, as the proposal is, no doubt, a compromise between the competing interests who voiced an opinion during the comment period. The proposal purports to limit the remedy for infringement to what the parties

⁶⁰ The Internet Broadway Database, <http://www.ibdb.com/production.asp?ID=4186> (last visited Dec. 17, 2006). Cats was based on "Old Possum's Book of Practical Cats" by T.S. Eliot. *Id.*

would have presumably negotiated. However, for those wishing to capitalize on works that are known orphans, the economic incentive to infringe is so strong that copyright owners in certain categories will be effectively barred from any benefit of copyright protections as they will have no real opportunity to collect. Additionally, this simply strips them of the right to deny the use. Conversely, the search costs have not necessarily been reduced to the point that the average user would seek to use a presumptively orphaned work. The economic incentive to create is undermined by the imposition of this additional cost, and the right of liability without conducting a search.

B. The Orphan Works Act of 2006⁶¹

Like the Copyright Office's Proposal, the Orphan Works Act would create a de facto compulsory license. The fee for this license would be free if the copyright owner never learns of the infringement.⁶² In addition to potentially depriving the copyright owner of payment for the use of his work, placing a large amount of essentially free material in the marketplace would depress demand, and consequently prices, for the legitimate material available for license. The Orphan Works Act would also harm the current value of many works by serving to strip the authors of categories of works that do not carry indicia of provenance of the ability to sell exclusive rights in those works.⁶³ Because market value of some works is directly tied to the ability to purchase exclusive rights, the value of those works would be negatively harmed.

⁶¹ H.R. 5439.

⁶² American Society of Journalists and Authors, *Sample Letter To Congress*, available online at <http://www.asja.org/media/nr060905.php> (last visited Dec. 7, 2006) ("In effect, the Act creates an involuntary license to use literary or artistic orphans--for free, unless the owner learns of the infringement and comes forward.").

⁶³ Illustrators' Partnership of America, *Sample Letter To Congress*, available online at http://www.illustratorpartnership.org/01_topics/article.php?searchterm=00225 (last visited Dec. 2, 2006) ("[N]either I nor my clients could ever guarantee that the work would not be used by others – even for purely commercial purposes.").

The Orphan Works act also strips author's of their exclusive right to control their works, including restricting unwelcome uses. The Orphan Work Acts' largest relevant departure from the Copyright Office's proposed language, is the safe-harbor provision for the incorporation of orphan works in new works. The relevant language from the Orphan Works act is, as follows:

(B) SPECIAL RULE FOR NEW WORKS.—In a case in which the infringer recasts, transforms, adapts, or integrates the infringed work with the infringer's original expression in a new work of authorship, the court may not, in granting injunctive relief, restrain the infringer's continued preparation or use of that new work, if the infringer—

(i) pays reasonable compensation to the owner of the infringed copyright for the use of the infringed work; and

(ii) provides attribution to the owner of the infringed copyright in a manner that the court determines is reasonable under the circumstances.⁶⁴

The Copyright Office's draft language required that a derivative work include a *significant amount* of original expression by the infringer to qualify for continuing the use without fear of injunction.⁶⁵ Conversely, the new language only requires that the original work be adapted or integrated into a new work of authorship, which is the infringer's original expression.⁶⁶

Finally, by limiting a copyright owner's ability to recourse, both in monetary damages and injunctive relief, the Orphan Works Act's Limitation on Remedies reduces the incentive to create. While the bill does provide for the collection of "reasonable compensation," that term is not defined and the burden is on the copyright owner to prove what the reasonable compensation would have been, at the time of the original infringement. The infringing user is not required to pay actual damages or even statutory damages, which allows infringement for commercial gain without the obligations currently imposed for copyright infringement. For non-profit infringers, the potential obligation for the infringement is entirely removed. The draft language states that

⁶⁴ *Id.* at (b)(2)(B).

⁶⁵ REPORT ON ORPHAN WORKS, *supra* note 1, at 127.

⁶⁶ H.R. 5439.

an organization that infringes “without any purpose of direct or indirect commercial advantage and primarily for a charitable, religious, scholarly, or educational purpose” would owe no compensation for the use at all when the copyright owner learns of the infringement.⁶⁷ This grants free use of works to non-profits over the exclusive rights of a copyright holder.

In sum, while purporting to address the issue of orphan works, the draft language of the Orphan Works Act would effectively gut many of the protections of the current Copyright Scheme. Many works no longer carry notice or information about the copyright owners, as a direct result of past changes to copyright law. This attempt to rectify that previous error would subject many authors, who have relied on copyright protection without attaching notice to their works, to seeing their exclusive rights drastically weakened, or in some instances, effectively taken away.

C. The Preservation of Orphan Works Act of 2004: Exemptions for Academic and Preservation Purposes

There have been a number of other proposals to address the most pernicious effects of the orphan works problem, namely the inability of academic institutions, libraries, and preservationists to make use of orphan works or to copy them for preservation. The proposed Preservation of Orphan Works Act of 2004, included as Title IV of the approved Family Entertainment and Copyright Act Of 2005, provides, in full, as follows:

⁶⁷ *Id.* at (b)(1)(B).

(B) EXCEPTIONS.—(i) An order requiring the infringer to pay reasonable compensation for the use of the infringed work may not be made under subparagraph (A) if—
 (I) the infringement is performed without any purpose of direct or indirect commercial advantage and primarily for a charitable, religious, scholarly, or educational purpose, and
 (II) the infringer ceases the infringement expeditiously after receiving notice of the claim for infringement . . .

Id.

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘Preservation of Orphan Works Act’.

SEC. 2. REPRODUCTION OF COPYRIGHTED WORKS BY LIBRARIES AND ARCHIVES.

Section 108(i) of title 17, United States Code, is amended by striking ‘(b) and (c)’ and inserting ‘(b), (c), and (h)’⁶⁸

Adding Section 108(h) to the exemption provisions of 108(i) had the effect of including “musical works, musical work, a pictorial, graphic or sculptural work, or a motion picture or other audiovisual work other than an audiovisual work dealing with news” to the works that a library or archive, or nonprofit educational institution that operates as a library or archive, may reproduce, distribute, display, or perform during the last 20 years of the term of a copyright for a published work in order to preserve it or for scholarship or research purposes.⁶⁹ This provision allows minimal use to counter the most visible effects of the orphan works problem, libraries that are not able to use works which would have otherwise been in the public domain if not for the Sonny Bono Copyright Term Extension Act. It does nothing, however, to rectify the larger problem of orphan works.

D. The Public Domain Enhancement Act

The proposed Public Domain Enhancement Act, introduced by Rep. Zoe Lofgren and based on writings by Prof. Lawrence Lessig,⁷⁰ attempts to solve the orphan works problem by requiring copyright holders to pay a \$1 registration fee to renew their copyright fifty years from

⁶⁸ Preservation of Orphan Works Act, H.R. 5136, 108th Cong. (2004).

⁶⁹ Family Entertainment and Copyright Act of 2005, Pub. L. No. 109- 9, 119 Stat. 218 (codified at 17 U.S.C. § 108(h)–(i)). The Family Entertainment and Copyright Act Of 2005 also included, as Title III, the National Film Preservation Act which reauthorized the National Film Preservation Board and the National Audio-Visual Conservation Center of the Library of Congress to help preserve the film history of the United States, much of which is being lost due to the orphan works problem. *Id.*

⁷⁰ LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY, 74–75 (2004).

the date of first publication, and every ten years thereafter. The language of the Public Domain Enhancement Act is, in whole, as follows:

SEC. 306. MAINTENANCE FEE FOR PUBLISHED UNITED STATES WORKS

(a) FEE- The Register of Copyrights shall charge a fee of \$1 for maintaining in force the copyright in any published United States work. The fee shall be due 50 years after the date of first publication or on December 31, 2006, whichever occurs later, and every 10 years thereafter until the end of the copyright term. Unless payment of the applicable maintenance fee is received in the Copyright Office on or before the date the fee is due or within a grace period of 6 months thereafter, the copyright shall expire as of the end of that grace period.

(b) ANCILLARY AND PROMOTIONAL WORKS- If the copyright in a work is maintained in force under subsection (a), then any ancillary or promotional work used in connection with the work so maintained, such as an advertisement for a motion picture, shall be deemed also to be maintained in force under subsection (a).

(c) FORM- The maintenance fee required by subsection (a) shall be accompanied by a form prescribed by the Register of Copyrights that conforms with section 409. The form may be used to satisfy the registration provisions of sections 408 and 409, if it is accompanied by the prescribed deposit and fee, and by any additional identifying material that the Register may, by regulation, require.⁷¹

While a seemingly elegant solution to the orphan works problem—allowing those works that have been truly abandoned or that have no further market value to slip into the public domain—it is an untenable solution. While there are several issues with the proposal, the chief are that the proposal would violate the Berne Convention’s prohibition on formalities, and would, in essence, again require works to contain notice.

As previously discussed, the Berne Convention prohibits imposing any formalities as a condition to the copyright protections of life-plus fifty years. Requiring a copyright owner to pay and register a work after 50 years would clearly violate the Berne Convention. Limiting the

⁷¹ H.R. 2408.

provision to U.S. authors to avoid this violation only injects more uncertainty into the system and puts U.S. authors at a disadvantage in the marketplace.

The proposed legislation creates the presumption that a work older than 50 years old, and not registered with the Copyright Office, is in the public domain. To ascertain the age of a work, the work would need to contain a copyright notice including a date. By including only published works, unpublished works that have been abandoned would not be included early in the public domain. This would create a hardship on all works already under copyright and do nothing to solve the orphan works problem, other than increasing search costs. In addition to ascertaining the age of a work, often without indicia of provenance on the work, potential users would have to identify if a work had ever been published, when it was published, and then check a central registry to determine if the copyright term had been preserved after 50 years. The uncertainty this adds to the system only compounds current problems.

In sum, the Public Domain Enhancement Act does nothing to solve the orphan works problem. If anything, it increases search costs and uncertainty, two of the chief reasons for the orphan works problem, and would likely violate international obligations.

IV. REVERSE REGISTRATION AS THE SOLUTION TO THE ORPHAN WORKS PROBLEM

Utilitarian concerns are the standard and accepted justification for intellectual property rights. Absent strong intellectual property protections that effectively deter infringement, a free-rider problem develops that devalues the efforts of creators and suppresses new creation.⁷² Because of the relative ease and low cost with which most works can now be easily copied, the inherent barriers that have traditionally curbed the free-rider problem have nearly evaporated.

⁷² See generally Mark A. Lemley, *Property, Intellectual Property, And Free Riding*, 83 TEX. L. REV. 1031 (2005).

Any solution to the orphan works problem must maintain effective deterrence, but also meet other economic and utilitarian goals: assigning clear, private (quasi)property rights in copyrighted works to avoid the “tragedy of the commons;”⁷³ lowering the transaction costs associated with using orphaned works;⁷⁴ and encouraging Kaldor-Hicks efficient allocations.⁷⁵

I propose that, prior to use, a fee be imposed approximating the license fee that would have been negotiated between the parties had the owner of the copyright for the orphaned work been located. This fee, held in escrow until some time past the end of the use or expiration of copyright, would be on a sliding scale set according to a periodic industry survey and would decrease based on the age of the work.⁷⁶ This solution both registers the (legal) users of a work, and provides known liability and certain collection for all works. This avoids the unnecessary burden of a notification registry, as with the Duke Center for the Study of the Public Domain’s Proposal for Registration of Intent to Use, namely that the copyright owner would have an added duty to monitor the database or else loose protection.⁷⁷ Under my proposed reverse-registration system, a prospective user would first be required to conduct a reasonably diligent search for the

⁷³ By internalizing the externalities associated with using orphaned works. *See, e.g.*, Garrett Hardin, *The Tragedy of the Commons*, 162 *SCI.* 1243 (1968). I argue that the tragedy of the commons is possible in intellectual property because most works will have limited cultural capital that can easily be extinguished. For instance, there is a limited appetite for books about dust-bowl era migrant farmers or soccer teams who turn to cannibalism after being stranded on a snow-capped mountain top. The market for the original work will be greatly reduced by the prior introduction of similar works, especially if they are commercially successful.

⁷⁴ Gideon Parchomovsky & Peter Siegelman, *Selling Mayberry: Communities and Individuals in Law and Economics*, 92 *CAL. L. REV.* 75, 79-80 (2004) (explaining that high transaction costs limit the efficient internalization of externalities).

⁷⁵ Recognizing that copyright is a grant of an unnatural monopoly grant, the use of Kaldor-Hicks acts as a test of the Pareto efficiency of a reverse registration scheme as well as its Productive efficiency.

⁷⁶ “In my view, the real problem of orphaned works is tied to old works. Any proposal to address that problem should therefore be triggered by the age of a work.” Lawrence Lessig, *Letter to Congresswoman Zoe Lofgren regarding the Copyright Office’s Report on Orphan Works*, 4, March 6, 2006. Available at <http://www.lessig.org/blog/archives/20060306-lofgren.pdf>.

⁷⁷ A registry where users would file notice that he intends to use a work is suggestion that I reject as (a) limited in practical application by available search and indexing technology, and (b) provides users who intentionally infringe a copyright for a non-orphaned work a per se defense that is untenable when applied.

copyright owner, and if not found, be required to pay a statutory fee calculated to be the same fee the user and owner would have negotiated among themselves. When, an infringing use of an orphaned work is located by the copyright owner, the user of the orphaned work would have a rebuttable presumption that the use is legal, in addition to having damages for infringement limited to the statutory fee. The copyright owner would still be able to pursue damages, but would have to overcome the legal use presumption by proving that a diligent search was not performed, or that the user fraudulently registered his use. Attorneys' fees would not be available for registered works, unless fraudulently registered or registered in bad faith.

Conversely, if the prospective user had not registered, then there would be a presumption, approximating strict liability, that the use was intentionally infringing, with exceptions to account for individuals who had performed a reasonable search and come to an honest belief that the work had passed into the public domain through operation of time or by positive actions of the copyright owner. Unregistered infringing users who meet an exception would be subject to the original statutory fee. Unregistered infringing users who do not meet an exception would be subject to actual damages, as well as attorney's fees and costs. For exceptional and willful violations, the court would be able to levy treble damages as currently under Section 103.

This type of market-based resolution to the orphan works problem balances the rights of copyright owners and the public without the inherent inequalities among content types of other solutions. The same market forces that failures that ultimately created the problem will As the orphan works issue is one of market failure, I propose that, prior to use, a fee be imposed approximating the license fee that would have been negotiated between the parties. Unlike the

current similar system used by the Canadian Copyright Board,⁷⁸ this fee would be held in escrow until the end of use or expiration of copyright, and then returned if not claimed by the copyright owner. The fee would be on a sliding scale set according to a periodic industry survey, and would decrease based on the age of the work. This solution registers the legal users of a work, and provides known liability and certain collection for all works. Additionally, the lower costs for older works would encourage their use past a typical profitable life-span, thereby increasing the economic benefit of a work throughout its copyright term while discouraging unauthorized use of newer, more costly works.

The Copyright Office's Report on Orphan Works disfavored statutory damages and attorneys fees as creating uncertainty in the minds of users.⁷⁹ The reverse-registration proposal would follow the recommendations of the Report, except as it pertains to willful infringement and injunctive relief. After *eBay, Inc. v. MercExchange, L.L.C.*, it is clear that there is no

⁷⁸ See Association of American Publishers, *Response to Notice of Inquiry Concerning Orphan Works*, U.S. COPYRIGHT OFFICE (March 24, 2005), available online at <http://www.copyright.gov/orphan/comments/OW0605-AAP-AAUP-SIIA.pdf>.

Payments to the Government are required under the Canadian system in order to use the "orphan work," and the money is then held by the Government to be given to the copyright owner if and when the copyright owner comes forward; in fact, since copyright owners will be unlikely to come forward to claim the money in true "orphan work" situations, the payments function more like a user "tax" that discourages, rather than encourages, efforts to use these works;

Id. at 6.

⁷⁹ REPORT ON ORPHAN WORKS, *supra* note 1, at 7 (2006). The Copyright Office's Report identified "three overarching and related goals" that any solution should encompass:

First, any system to deal with orphan works should seek primarily to make it more likely that a user can find the relevant owner in the first instance, and negotiate a voluntary agreement over permission and payment, if appropriate, for the intended use of the work. Second, where the user cannot identify and locate the copyright owner after a reasonably diligent search, then the system should permit that specific user to make use of the work, subject to provisions that would resolve issues that might arise if the owner surfaces after the use has commenced. . . . Finally, efficiency is [an] overarching consideration.

Id. at 8.

presumption that an injunction will always issue when intellectual property is infringed.⁸⁰ The reverse-registration solution would allow the current and foreseeably related or planned uses to continue, allowing for the possibility that the parties can negotiate terms for any additional uses, and treating new uses as any non-orphaned work, applying the law accordingly. Injunctions should always be available when a diligent search was not performed, or the user fraudulently registered his use or registered in bad faith.

The reverse-registration solution is in accord with the United States' international treaty obligations. In chief, the Berne Convention protects exclusive rights, but makes room for countries to enact compulsory licenses "in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author."⁸¹ Compulsory licensing of orphan works should be appropriate under Article 9(2).

Under the reverse-registration solution the externality of negotiation has been removed, and along with it the opportunity for the two parties to negotiate a price rather than using one statutorily developed to match the current market values. This inefficiency is strongly counteracted by making works available that would not be otherwise. In so doing, there are three positive developments: the market as a whole is strengthened; the value of the works themselves are realized by allowing them to retain commercial viability when they would otherwise lie fallow; and the copyright holder will gain a commercially-reasonable financial benefit instead of the zero financial benefit that they would have received. By encouraging efficient transactions, the fact that use entitlement is assigned to the potential user instead of upholding the copyright

⁸⁰ 126 S.Ct. 1837 (2006).

⁸¹ Berne Convention, Article 9(2).

owner's traditional right to exclude is of little consequence. According to the Coase theorem,⁸² by making the transaction efficient and reducing externalities, the transaction would have taken place anyway at close to the price paid. Because the absent rights holder in the orphaned work had zero prior utilization, by default the potential user will be the more productive user and the transaction would have taken place.

V. CONCLUSION

The orphan works problem is one that was created mainly due to formalities being removed from our copyright system. Previously, to receive copyright protection, an author was required to:

- Register the work and deposit a copy with the Copyright Office;
- Providing notice of copyright protection upon publication of the work by affixing name of the owner along with a device such as the © symbol or the word Copyright.
- Renew the registration after a period of initial protection.

If these formalities were in place today, there would be no orphan works problem. From an economics standpoint, if a work had value worth protecting, then the cost of the formalities was no barrier. In effect, the cost of registration and affixing notice set a minimum value for a work to obtain copyright protection. Additionally, the formalities provided a certain method for determining the copyright status of a work and in identifying the holder of the copyright. The next best solution would then be to register the use of a work, creating knowledge as to who is infringing, when the infringement began, and to assist the collection of fees for its use. My proposal for reverse registration does just that, creating the necessary incentives to promote efficient use, without the certainty of a free ride, while preserving the rights of the copyright holder.

⁸² R. H. Coase, *The Problem of Social Cost*, 3 J.L. & ECON. 1 (1960).