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CRS Report for Congress

"Orphan Works" in Copyright Law

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Summary

This report surveys the findings and conclusions in the U.S. Copyright Office's *Report on Orphan Works* ("Report"), issued in January 2006, and legislation introduced to address the problem. Orphan works are copyrighted works whose owners are difficult or impossible to identify and/or locate. The goal of the Report was to elicit public comment and evaluate the extent of real or perceived problems that content users encounter in their efforts to use these works.

Orphan works are perceived to be inaccessible because of the risk of infringement liability that a user might incur if and when a copyright owner subsequently appears. Consequently, many works that are, in fact, abandoned by owners are withheld from public view and circulation because of uncertainty about the owner and the risk of liability.

The Report defines the problems it identified, and concludes that the problem is indeed real and should be addressed legislatively. It analyzes stakeholders' views on the issue and constraints on solutions imposed by the structure of U.S. copyright law and international copyright obligations. The Report sets forth a proposal to amend the Copyright Act by adding a provision that would limit liability for infringing use of orphan works when, prior to use, a user performs a reasonably diligent search for the copyright owner and provides attribution to the author and copyright owner, if possible. In some instances, when copyright infringement is made without commercial advantage and the user ceases infringement promptly after receiving notice thereof, no monetary relief would be available.

Adopting many of the suggestions of the Copyright Office, the Orphan Works Act of 2006 was introduced in the 109th Congress, second session (H.R. 5439). This bill was later incorporated into an omnibus copyright bill, appearing as Title II of The Copyright Modernization Act of 2006 (H.R. 6052). However, the bill was not addressed by the end of that Congress's adjournment. The bill would have implemented a limitation on monetary damage liability for specified infringement of orphan works, but took a more detailed approach than the Report's original proposals in establishing requirements for such liability limitations, such as articulating standards for a "reasonably diligent search." The bill would also have directed the Copyright Office to study and report on the implementation of the new orphan works amendment, and to study and make recommendations for a "small claims" procedure to address copyright infringement.

Legislation addressing the orphan works issue was reintroduced in the 110th Congress: the Orphan Works Act of 2008 (H.R. 5889) and the Shawn Bentley Orphan Works Act of 2008 (S. 2913). The two bills have several provisions that resemble the Orphan Works Act of 2006, although there are substantial differences from that earlier legislation and even between themselves, including the House bill's requirement of a "Notice of Use" database, which does not appear in the Senate bill. These additional or revised provisions were added in part to address concerns raised by photographers, illustrators, and other visual artists, as well as textile and home furnishing manufacturers. S. 2913 was passed by the Senate on September 26, 2008.

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Background[1]

In response to requests by several Members of Congress, the U.S. Copyright Office agreed to examine issues surrounding "orphan works." Orphan works are copyrighted works whose owners are difficult or impossible to identify and/or locate. In January 2005, the Copyright Office issued a Notice of Inquiry requesting public comment from interested parties on the subject.[2] The Office accepted written comments and hosted public roundtable discussions on the topic. In January 2006, it issued its *Report on Orphan Works*, which includes proposed legislative language to address the problem identified.[3] Hearings were held in the 109th and 110th Congresses on the orphan works problem.[4]

This report surveys the findings of the *Report on Orphan Works* ("Report"), considers the Copyright Office's proposed amendment to the Copyright Act to address the issue, and analyzes introduced orphan works legislation.

Defining the Problems Associated with Orphan Works. The constitutionally authorized grant of a limited monopoly to copyright holders is intended "To promote the Progress of Science and useful Arts" by producing incentives for creative works and their dissemination to the public.[5] Ultimately, it is the public interest that supports allowing copyright holders to financially exploit the value of their creative efforts by controlling access to protected work. Someone who wants to exercise one or more of the copyright holder's exclusive rights in a

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[1] This report was originally prepared by Robin Jeweler, Legislative Attorney.

[2] Copyright Office, *Orphan Works: Notice of Inquiry,* 70 FED. REG. 3739 (Jan. 26, 2005).

[3] The full report is available on the U.S. Copyright Office's website at [http://www.copyright.gov/orphan/orphan-report-full.pdf]. Additional material, including the *Notice of Inquiry* and proceedings from the roundtable meetings, are also available there.

[4] *"Report on Orphan Works by the Copyright Office":* Hearing before the House Subcomm. on Courts, the Internet, and Intellectual Property, *available at* [http://judiciary.house.gov/Oversight.aspx?ID=221]; *Orphan Works: Proposals for a Legislative Solution:* Hearing before the Senate Comm. on the Judiciary, 109th Cong., 2d Sess. (2006), *available at* [http://judiciary.senate.gov/hearing.cfm?id=1847]; *Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users:*Hearing before the House Subcomm. on Courts, the Internet, and Intellectual Property, *available at* [http://judiciary.house.gov/Oversight.aspx?ID=427].

[5] U.S. CONST. ART. I, § 8, cl. 8. For more background information on copyright law, see CRS Report RS22801, *General Overview of U.S. Copyright Law,* by Brian T. Yeh.

copyrighted work must obtain permission to do so.[6] The terms for usage and recompense, if any, are negotiated and agreed to by the rights' holder and the prospective user.[7]

When an owner cannot be identified or located, a protected work is an "orphan" work. Many believe that orphan work status renders a work inaccessible. The inaccessibility arises from the risk of liability that a user might incur for copyright infringement if and when a copyright owner subsequently appears:

> First, the economic incentive to create may be undermined by the imposition of additional costs on subsequent creators wishing to use material from existing works. Subsequent creators may be dissuaded from creating new works incorporating existing works for which the owner cannot be found because they cannot afford the risk of potential liability or even of litigation. Second, the public interest may be harmed when works cannot be made available to the public due to uncertainty over its copyright ownership and status, even when there is no longer any living person or legal entity claiming ownership of the copyright or the owner no longer has any objection to such use.[8]

This risk of infringement may be particularly burdensome when a creator incorporates protected work into a new adaptation or transformative work. How then is public policy best served by facilitating the public's access to and use of such a work? And how best to define what constitutes an orphan work for infringement purposes, to facilitate access to orphan works, and to promote their use without vitiating the copyright or unfairly appropriating the work into the public domain?

Obstacles to Obtaining Permission. Copyright law is the engine driving a vast private market of rights' holders and users. The structure of the law in many ways shapes the intellectual property (IP) marketplace for negotiations between owners and users, but it does not control all aspects of it. Notifying the public of ownership is the responsibility of the rights' holder. Determining whether a work is protected and identifying the actual owner of the copyright (who may or may not be the creator) is the responsibility of the prospective user. But the identification process can be extremely complicated, difficult, and in many cases, prohibitively costly. There are many components to the determination of whether something is likely to be covered by copyright.[9] The prospective user must first make a preliminary determination as to whether a work is indeed copyrighted or has passed into the public domain.[10] Changes to the term of copyright effected by repeal of the 1909 law and adoption of the 1976 Act, subsequent extensions to the term, and the

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[6] 17 U.S.C. § 106.

[7] In some cases, the Copyright Act prescribes terms for usage through compulsory licensing, but alternatives to traditional negotiated terms of usage are not discussed herein.

[8] *Notice of Inquiry,* 70 FED. REG. at 3741.

[9] *See* U.S. Copyright Office, *Circular 22: How to Investigate the Copyright Status of a Work* at [http://www.copyright.gov/circs/circ22.html].

[10] A chart entitled *Copyright Term and the Public Domain in the United States,1 January 2006* at [http://www.copyright.cornell.edu/training/Hirtle_Public_Domain.htm] provides an illustration of factors, such as publication, copyright notice, and renewal, that might apply in determining whether a work has entered the public domain.

abandonment of "formalities" (discussed *infra*), all work to complicate calculations of the likely subsistence of copyright, particularly with respect to works created prior to 1978.[11]

A Universal Registry of Copyright Owners. Although registration with the U.S. Copyright Office is most authoritative, there is no universal copyright registry. Various registries or databases exist to allow identification of copyright holders in various industries or mediums, but they are essentially voluntary, so checking with a database may not be dispositive regarding copyright status and/or ownership.[12] Furthermore, because IP is indeed property, through sale, assignment, or bequest, over time, ownership rights may be transferred. Older works of minimal commercial value may essentially be neglected or abandoned. Finding a copyright owner for them can be challenging.

Formalities. Under the 1909 Copyright law, there were many specific actions, i.e., "formalities," that needed to be taken by the creator/owner in order to create a valid copyright. Failure to do so could void the copyright. Among the essential formalities were posting of a notice of copyright on a work and registration with the U.S. Copyright Office. At the expiration of the first 28-year term of copyright, a renewal had to be filed to extend protection for another 28-year term.[13] Observing formalities as a prerequisite to creating a valid copyright was abandoned under the 1976 Copyright Act. Under current law, a copyright is created automatically when the creative expression is fixed in tangible form. Copyright formalities were rejected in the 1976 law for several reasons. The legislative history notes the concern that rigid formalities put an undue burden on creators, who could lose copyright protection in its entirety for failure to comply with a formality requirement.[14] A primary goal, however, was to harmonize U.S. copyright law with international treaties and practice, where formalities are not a requirement for copyright protection.

Nevertheless, changes to U.S. law significantly complicated the process of identifying copyright holders. One consequence of the formalities requirements associated with copyright creation was notice and registration. A search of copyright registration records was more — though not definitively — likely to help a prospective user determine both copyright status and owner information.

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[11] *See* U.S. Copyright Office, *Circular 15A: Duration of Copyright* at [http://www.copyright.gov/circs/circ15a.html]; *Circular 15t: Extension of Copyright Terms*. at [http://www.copyright.gov/circs/circ15t.html].

[12] See, for example, online indices for a music performing rights organization (PRO) such as ASCAP at [http://www.ascap.com] or the Harry Fox Agency at [http://www.songfile.com], or photo clearing houses such as Photographers Index at [http://www.photographersindex.com/].

[13] *See* U.S. Copyright Office, *Circular 15: Renewal of Copyright* at [http://www.copyright.gov/circs/circ15.html].

[14] *See* H.Rept. 94-1476, 94th Cong., 2d Sess. 147 (1976) and S. Rept 94-473, 94th Cong., 2d Sess. 130 (1976). ("[The bill] takes a middle-ground approach in an effort to encourage use of a copyright notice without causing unfair and unjustifiable forfeitures on technical grounds.").

Copyright Infringement Litigation and Damages. Under the current law for works created after 1978, an owner *may* register a work at any time during the subsistence of the copyright.[15] A work *must* be registered prior to the rights' holder bringing suit for infringement;[16] registration is also necessary in order for a owner to seek statutory damages for infringement.[17]

In the event that a court finds copyright infringement, it may issue an injunction to prevent or stop it,[18] and award monetary damages. Damages may be the actual value of lost profits, or damages set by statute, known as "statutory damages."[19] Statutory damages prescribe amounts that may be significantly higher than actual damages for lost profits — from $750 to $150,000. The amount of statutory damages may be increased in cases where a court finds that infringement was willful or, correspondingly, reduced when it finds the infringement was "innocent," i.e., the infringer was "not aware and had no reason to believe that his or her acts constituted an infringement," or the infringer had reasonable grounds to believe that the use was a fair use under § 107. A court may also award court costs and attorneys' fees.[20] In other words, registration, with its effect of creating a searchable record and thereby providing public notice of ownership, is not legally required to *create* a copyright, but to *enforce* it. The existence of statutory damages and the award of attorneys' fees facilitates enforcement of infringement liability by rights' holders when actual damages may not support the costs of litigation.

The *Report on Orphan Works*

By conducting stakeholder discussions and reviewing extensive submissions of comments, the U.S. Copyright Office's study considers the landscape surrounding orphan works.

At the outset, it sets forth what were *not* considered to be orphan work problems, namely, situations where a prospective user contacted the owner but did not receive permission to use the work.[21] The analysis also narrows the situations in which it views orphan works as presenting an insurmountable problem to prospective users. It delineates several provisions of the copyright law that might permit use of an orphan work (or any copyrighted work) absent an owner's permission:

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[15] 17 U.S.C. § 408.

[16] 17 U.S.C. § 411.

[17] 17 U.S.C. § 412.

[18] 17 U.S.C. § 502.

[19] 17 U.S.C. § 504.

[20] 17 U.S.C. § 505.

[21] Report on Orphan Works (hereinafter Report) at 2. "These include situations where the user contacted the owner, but did not receive permission to use the work, either because the owner did not respond to the request, refused the request, or required a license fee that the user felt was too high."

- The "idea/expression" dichotomy, rooted in the First Amendment and codified at 17 U.S.C. 102(b), prohibits copyright protection for ideas, procedures, concepts, etc. that may otherwise be embodied in a copyright-protected work.[22] This jurisdictional limitation on copyright protection may be especially useful to prospective users of works of non-fiction, and "utilitarian" works like computer programs, textbooks, manuals, etc.[23]

- Fair use, codified at 17 U.S.C. § 107, permits limited use of copyright-protected work for purposes such as criticism, comment, news reporting, teaching, scholarship, or research.

- Other express exemptions in the Copyright Act at §§ 108, 110, and 117 allow specified uses of copyrighted works associated with preservation, education, and religious activities.

The Report identifies many obstacles to identifying and locating copyright owners and assigns general categories of uses that appear to be most impacted by orphan works, namely, uses by "subsequent creators" who may create a derivative commercial work incorporating the orphan work; "large scale access uses" by institutions such as libraries that make available a wide body of work to the public; "enthusiast" uses by individuals who have an interest in a particular work, subject, or artist; and "private" uses, the most common illustration being someone who wishes to reproduce a family photograph or make a potentially infringing use of obsolete or orphaned computer software.[24]

The Report explains that the 1976 Copyright Act arguably exacerbated the orphan works problem by abandoning formalities such as renewal registration, and why the international copyright regime to which the United States is a signatory both precludes a re-adoption of formalities and limits the scope of permissible exemptions to the copyright holders' rights.[25]

The study reviews solutions proposed by those involved in the orphan works dialogue. It groups and considers them in four categories, described in the Report as follows:

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[22] Specifically, the "idea/expression" dichotomy, 17 U.S.C. § 102(b), prohibits copyright protection for any idea, procedure, process, system, method of operation, concept, principle, or discovery.

[23] Report at 53, citing at note 123, Eldred v. Ashcroft, 537 U.S. 186, 219-21 (2003).

[24] *Id.* at 36-40.

[25] "In considering legislative solutions to the orphan works problem it is important to keep in mind the requirements of the international instruments to which the United States has agreed: exercise and enjoyment of a copyright right cannot be conditioned on a formality, any exceptions or limitations on copyright must conform to the three-step test [under international treaty obligations], and the effect on the owner's remedies must comply with the various remedy rules." *Id.* at 68.

> • *Solutions that already exist under current law and practice.* These were usually noted only in passing; commenters (even commenters opposed to any orphan works provision) did not take the position that the existing law is sufficient to solve the orphan works problem.
> • *Non-legislative solutions.* An example of a solution in this category is a proposal for improved databases for locating owners of works. These solutions were also usually noted only in passing, and were not advanced as sufficient to fix the problem.
> • *Legislative solutions that involve a limitation on remedies when a user uses an orphan work.* The most substantive comments fell into this category, and most of the comments by professional organizations or academics fell into this category.
> • *Other legislative solutions.* Examples of proposed solutions in this category are deeming all orphaned works to be in the public domain, or changing the tax or bankruptcy codes to reduce the factors that cause orphan works to come into existence in the first place.[26]

It also considers several of the solutions proposed. For example, one approach might be that utilized by the Canadian Copyright Board, which reviews applications for use of orphan works and approves them prior to use. This method receives support by some for the certainty that it provides and opposition by others who view it as administratively cumbersome, expensive, and largely ineffective in promoting actual use of orphan works.

The Copyright Office's Recommendation. The Report concludes that the orphan works problem, though difficult to describe and quantify, is indeed real. Though some instances of non-infringing use of such works may be effected under other sections of the law, there are still many situations in which prospective users lack guidance on whether and how they may use orphan works, and authority to do so. The Report recommends statutory language to remedy the orphan works problem,[27] with a detailed supporting rationale.

The proposal takes the approach of limiting remedies for the copyright owner if a user satisfies new statutory requirements for use of an orphan work. The proposed language would add a new § 514 under chapter 5 of the Copyright Act, dealing with copyright infringement and remedies. One who uses an orphan work would be required to have performed "a good faith, reasonably diligent search" to identify the copyright holder and provide "attribution to the author and copyright owner of the work, if possible and appropriate." If the user of a orphan work who has satisfied the search and attribution requirements is subsequently sued by the rights' holder for infringement, the owner would be limited to "reasonable compensation for the use of the infringed work." When the infringement is made without commercial advantage and the user ceases infringement promptly after receiving notice thereof, no monetary relief would be available.

Injunctive relief, i.e., prohibiting continuing use of the infringing work, would *not* be available when the orphan work is incorporated into a derivative work that

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[26] *Id.* at 69.

[27] *Id.* at 127.

uses the protected work in a transformative manner, provided that the infringer pays reasonable compensation to the copyright owner and provides attribution to the protected work as reasonable. In all other cases, the court may impose injunctive relief to prevent the continuing infringement, but would be directed to consider the harm that relief would cause the infringer who has complied with orphan works requirements in making the infringing use.

The proposed language specifies that nothing in its provisions would affect other rights, limitations or defenses to copyright infringement, including fair use. The provision would sunset ten years after enactment.

The goal of the proposal is to promote the good-faith use of true orphan works by limiting damages available in the event that an owner appears and the user is subsequently charged with infringement. The proposed solution attempts to balance several competing interests:

Notice. Some content users complain about the lack of easy-to-use comprehensive sources of information identifying copyright owners. Easier access to ownership information would minimize mistakes by users in calculating whether a work is actually an orphan work. But a solution that imposes notice or identification requirements on rights' holders as a condition of protecting their copyright would violate both the Copyright Act and international treaty obligations if its effect was to reinstate formality requirements. While it is obviously in the interest of copyright holders to make the public aware of ownership, the proposal would not impose additional regulatory burdens on owners, or the government, by establishing new reporting mechanisms.

Certainty versus Flexibility. Many who promote access to orphan works seek a system that best assures potential users that they will be exempt from copyright infringement liability *prior* to usage. But any proposed orphan work exemption will potentially affect a vast array of industries and media, such as movies, music, books, and photographs. There are different physical characteristics, traditions, standards, and business practices which affect the ease of researching ownership and obtaining permissions for any given medium. Likewise, different users have different goals, such as nonprofit versus commercial usage.

The approach suggested is in many ways comparable to copyright's well-known "fair use" exemption in its breadth and flexibility.[28] Like fair use, the orphan work exemption would be a *defense* to copyright infringement. The proposal takes a case-by-case approach that would give a court discretion to consider behavior by both the user and claimant. Did the user perform a "reasonably diligent search" with proper attribution? Did the claimant decline to accept "reasonable compensation" for the identified infringement, which, under the proposal, becomes, in effect, a statutory cap on relief available? Arguably, it would share many of the strengths and weaknesses of fair use. Among the former is flexibility to accommodate a broad range of media and situations. Among the latter may be difficulty assessing the

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[28] 17 U.S.C. § 107.

likelihood of the success of the defense, and costs that may be unintentionally incurred.

Standards. The proposal does not define terms such as "reasonably diligent search," although much discussion is provided. Best practices for media-specific searches are likely to evolve over time through collaborative efforts and judicial interpretation. Likewise the notion of reasonable compensation is a fluid one, another factor that is viewed as advantageous or non-advantageous by different parties. Critics among users point to difficulties when the amount of liability exposure is uncertain. Critics among owners worry that courts interpreting the term may depress the value of "reasonable compensation," by valuing it at what the user proposes to pay absent negotiations. They fear that it may amount to a statutory royalty rate.

Damages. Because the proffered exemption is a defense to copyright infringement, the costs of litigation were considered in the discussion. Indeed, the Report spells out at great length the concerns expressed by both content owners and users on the burdens imposed by having to litigate a claim of or a defense to infringement. Users argue that the prospect of statutory damages has a chilling effect on their use of valuable historic material, for example, documentary film footage. But many owners assert that a limitation on the remedies for infringement would make enforcement impracticable. They simply cannot enforce their copyright if the enforcement costs more than recoverable damages.

Visual Arts. Photography and visual arts pose special challenges for copyright ownership identification generally, and, consequently, in connection with orphan works. By their very nature, they are difficult to source. Critics are concerned that the orphan work proposal would affect illustrations and photographs disproportionately because images are commonly published, by tradition or business practice, without identifying information. If a visual representation contains identifying information, it may be, and often is, easily removed. Verbal registries cannot adequately describe visual representations, e.g., "nine abstract dogs in an abstract garden."[29] Visual registries may contain prohibitively voluminous entries and be too difficult to search. They fear enactment of the orphan works proposal might interfere with commercial markets for visual work; that it could have the effect of "legalizing" infringement where ever the rights' holder cannot be identified or located; that it will put too great a burden on rights' holders to exercise diligence in monitoring infringing use; and that limiting recoverable damages will make enforcement actions economically unfeasible. The *de facto* result, they contend, would deprive visual artists of meaningful copyright protection.[30]

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[29] Roy de Forest, *County Dog Gentleman,* 1972, San Francisco Museum of Modern Art.

[30] *See* statement of David P. Trust, CEO of Professional Photographers of America before the House Judiciary Committee (March 8, 2006), at [http://judiciary.house.gov/oversight.aspx?ID=221]; statement of Victor Perlman, General Counsel of the American Society of Media Photographers, and statement of Brad Holland, Founding Board Member, Illustrators' Partnership of America, before the Senate Judiciary Committee (April 6, 2006), at [http://judiciary.senate.gov/hearing.cfm?id=1847].

Legislative Proposals

H.R. 5439, 109th Congress, Second Session, the Orphan Works Act of 2006. The Orphan Works Act of 2006 incorporated many of the recommendations of the Copyright Office and was introduced and reported by the House Subcommittee on Courts, the Internet, and Intellectual Property in May 2006. This bill was later imbedded in an omnibus copyright bill, appearing as Title II of The Copyright Modernization Act of 2006 (H.R. 6052). The bill provided significantly greater detail than the Copyright Office's proposed language, including setting forth specific standards to establish what is a "reasonably diligent search." However, no orphan works legislation was passed by the end of the 109th Congress' adjournment.

H.R. 5889, 110th Congress, Second Session, the Orphan Works Act of 2008. Introduced on April 24, 2008 by Representative Howard Berman, the Orphan Works Act of 2008 resembles the prior Congress' orphan works legislation although it has substantial differences. The bill would add a new § 514 to the Copyright Act entitled "Limitation on remedies in cases involving orphan works." It would essentially implement the Copyright Office's proposal to limit liability for an infringing use of an orphan work. As a prerequisite to qualifying for the limitation, the infringer must satisfy several conditions:[31]

Prior to Using the Orphan Work:

- Perform and document a "qualifying search" in good faith to locate the owner of the infringed copyright;
- File with the Register of Copyrights a "Notice of Use";
- Provide reasonable attribution to the owner of the infringed copyright "if such owner was known with a reasonable degree of certainty, based on information obtained in performing the qualifying search"; and
- Include with the use of the infringing work a symbol or other notice of use, in a manner prescribed by the Register of Copyrights.

If Sued for Infringement:

- Proves by a preponderance of the evidence that, before the infringement began, he or she performed and documented a "qualifying search" in good faith but was unable to locate the owner of the infringed copyright;
- Asserts in the initial pleading to the civil action the right to claim the limitation on the remedies for infringement;
- Consents to the jurisdiction of the United States district court, or that the court deems the infringer to be within its jurisdiction; and
- In compliance with initial discovery disclosure requirements under the Federal Rules of Civil Procedure, states with particularity the basis for the right to claim the limitation on remedies, including a detailed description and documentation of the "qualifying search" undertaken to find the owner of the infringed copyright.

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[31] Sec. 2(a) of H.R. 5889, adding a new § 514(b)(1)(A).

Lack of identifying copyright information on the work, by itself, cannot support an assertion or finding of a "qualifying search."[32] H.R. 5889 provides that a search is qualifying if the infringer undertakes a "diligent effort" to locate the owner of the infringed copyright.[33] For a court to determine whether a search is diligent, the following considerations are required:

- Whether the infringer took reasonable and appropriate actions in performing the search, including whether the infringer took actions based on facts uncovered by the search itself;
- Whether the infringer used "best practices" that are maintained by the Register of Copyrights; and
- Whether the infringer performed the search prior to using the work and at a time that was "reasonably proximate" to the start of the infringement.

Copyright Office Assistance. The Copyright Office currently provides some assistance in searching its records. It will conduct a search of its records for a fee.[34] And, it publishes general background information on conducting copyright searches.[35]

H.R. 5889 significantly expands the scope of guidance that the Copyright Office must make available to the public to educate and assist in researching copyright ownership. Specifically, it is directed to maintain and provide to the public (including through the Internet) current statements of best practices for conducting and documenting searches for the owner of the infringed copyright.[36] Such statements of best practices shall be updated from time to time to consider the wide array of materials and standards that may be relevant to a qualifying search, including the following:

- The Copyright Office's own records that relate to copyright ownership information;
- Other sources of identifying copyright ownership that may be reasonably available to users, including private databases;
- Industry practices and guidelines of associations and organizations;
- Technology tools and expert assistance; and
- Electronic databases, including those available to the public through the Internet, that permit searches of copyrighted works and for the copyright owners of those works.[37]

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[32] Sec. 2(a) of H.R. 5889, adding a new § 514(b)(2)(A)(iii).

[33] Sec. 2(a) of H.R. 5889, adding a new § 514(b)(2)(A).

[34] *See* [http://www.copyright.gov/forms/search_estimate.html].

[35] *See*, *e.g.*, Circular 22, *How to Investigate the Copyright Status of a Work* at [http://www.copyright.gov/circs/circ22.html].

[36] Sec. 2(a) of H.R. 5889, adding a new § 514(b)(2)(B).

[37] Sec. 2(a) of H.R. 5889, adding a new § 514(a)(1).

In addition, H.R. 5889 requires the Copyright Office to establish and maintain an archive that will retain the "Notice of Use" filings that must be submitted by the infringer prior to using the copyrighted work. A "Notice of Use" filing must include the following information:[38]

- The type of work being used (literary works; musical works; dramatic works; pantomimes and choreographic works; pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; sound recordings; or architectural works);
- A description of the work;
- A summary of the search conducted to locate the owner of the infringed copyright;
- The owner, author, recognized title, and other available identifying element of the work, to the extent the infringer knows such information with a reasonable degree of certainty;
- A certification that the infringer performed a qualifying search in good faith to locate the owner of the infringed copyright; and
- The name of the infringer and how the work will be used.

The bill expressly provides, "Notices of Use filings retained under the control of the Copyright Office shall be furnished only under the conditions specified by regulations of the Copyright Office."

H.R. 5889 also directs the Register of Copyrights to undertake a "certification process" for the creation of electronic databases that facilitate the search for pictorial, graphic, and sculptural works.[39] Such certification is to be conducted in accordance with processes and standards that the Register must establish, although the bill provides that such approved electronic databases must contain the following:

- The name of all authors of the work, and contact information for any author if the information is readily available;
- The name of the copyright owner if different from the author, and contact information of the copyright owner;
- The title of the copyrighted work, if such work has a title;
- With respect to a copyrighted work that includes a visual image, a visual image of the work, or, if such a visual image is not available, a description sufficient to identify the work;
- One or more mechanisms that allow for the search and identification of a work by both text and image; and
- Security measures that reasonably protect against unauthorized access to, or copying of, the information and content of the electronic database.

Limitations on Remedies. The heart of H.R. 5889 is the limitation on monetary relief that may be awarded by a court (including actual damages, statutory damages, costs, and attorney's fees) when the use of an orphan work is found to be

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[38] Sec. 2(a) of H.R. 5889, adding a new § 514(b)(3).

[39] Sec. 3(a) of H.R. 5889.

infringing. Users who have satisfied statutory criteria will be required to pay "reasonable compensation" for the use of the infringed work.[40] H.R. 5889 defines "reasonable compensation" to mean "the amount on which a willing buyer and willing seller in the positions of the infringer and the owner of the infringed copyright would have agreed with respect to the infringing use of the work immediately before the infringement began."[41] The bill also permits a court to consider, in determining the amount of reasonable compensation, the value (if any) that has been added to a work due to the fact that the work is registered with the Copyright Office.[42]

Safe Harbor. H.R. 5889 exempts certain infringers of orphan works from the requirement to pay reasonable compensation for the use of infringed works. This statutory "safe harbor" is available if the infringer is a nonprofit educational institution, library, or archives, or a public broadcasting entity, *and* the infringer proves by a preponderance of the evidence that:

- The infringement was performed without any purpose of direct or indirect commercial advantage and for a charitable, religious, or educational purpose; and
- The infringer promptly ceased the infringing use after receiving notice of the claim for infringement and after conducting an expeditious good faith investigation of the claim.[43]

Exceptions to the Eligibility for Limitation on Monetary Remedies. H.R. 5889 denies the limitation on remedies for infringers who, after receiving a notice of the claim for infringement[44] and having a chance to conduct an "expeditious" good faith investigation of the claim, either: (1) fails to negotiate in good faith "reasonable compensation" with the copyright owner; or (2) fails to render payment of reasonable compensation in a reasonably timely manner.[45] In addition, the bill notes that failure to comply with any of the eligibility requirements for the limitation on remedies will subject the infringer to all available remedies for civil copyright infringement.[46]

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[40] Sec. 2(a) of H.R. 5889, adding a new § 514(c)(1)(A).

[41] Sec. 2(a) of H.R. 5889, adding a new § 514(a)(4).

[42] Sec. 2(a) of H.R. 5889, adding a new § 514(c)(1)(C).

[43] However, H.R. 5889 allows the owner of the infringed copyright to try to recover any proceeds directly attributable to the infringement if the copyright owner can prove, and the court finds, that the infringer has earned such proceeds. Sec. 2(a) of H.R. 5889, adding a new § 514(c)(1)(B).

[44] Such notice must be written, and include at a minimum the following information: the name, address, and telephone number of the owner of the infringed copyright; the title of the infringed work or a detailed description of it; and information from which a reasonable person could determine the validity of the copyright owner's claim of ownership and alleged infringement. Sec. 2(a) of H.R. 5889, adding a new § 514(a)(2).

[45] Sec. 2(a) of H.R. 5889, adding a new § 514(b)(1)(B).

[46] Sec. 2(a) of H.R. 5889, adding a new § 514(b)(4).

Injunctive Relief. The bill provides that a court may award injunctive relief to prevent or restrain any infringement. H.R. 5889 provides an exception to this general rule, however: a court may *not* enjoin the infringing use of an orphan work when it is incorporated (or starting to be integrated) into a new work of authorship, so long as the infringer pays reasonable compensation and provides attribution to the owner of the infringed work in a manner that is reasonable under the circumstances, if requested by such owner.[47]

However, an infringing party that asserts that it is not subject to suit in federal court or liable for an award of damages for infringement under the Copyright Act may not avail itself of the limitations on injunctive relief for infringing orphan works, unless it has, among other things, made an enforceable promise to pay reasonable compensation to the copyright owner. This provision appears to be directed at any state which may assert immunity against liability for copyright infringement in accordance with the U.S. Supreme Court's Eleventh Amendment jurisprudence.[48] The U.S. Supreme Court, in a series of decisions, has interpreted the Eleventh Amendment of the U.S. Constitution as limiting Congress's authority to abrogate state sovereign immunity. Consequently, a state may not be sued in federal court for copyright infringement.[49]

Exclusion for Useful Articles. H.R. 5889 provides that the limitations on monetary and injunctive relief are *unavailable* to "an infringer for infringements resulting from fixation of a work in or on a useful article that is offered for sale or other distribution to the public."[50] The Copyright Act defines "useful article" to mean "an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information."[51] Examples of useful articles include shower curtains, textile designs, wall coverings, home furnishings, coffee mugs, and clothing with images on them. Therefore, infringers of such useful articles are not allowed to assert the right to claim the limitation on the remedies for infringement.

Effective Date. The Orphan Works Act of 2008 shall apply to infringements that commence on or after January 1, 2009, except for infringing uses of pictorial, graphic, and sculptural works.[52] For the latter class of works, the limitations on liability shall apply to infringing uses that commence on or after the earlier of:

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[47] Sec. 2(a) of H.R. 5889, adding a new § 514(c)(2).

[48] Seminole Tribe of Fla. v. Florida, 517 U.S. 44 (1996); Florida Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank, 527 U.S. 627 (1999) and College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.527 U.S. 666 (1999). A detailed discussion of state immunity from copyright infringement litigation is beyond the scope of this report. For more information on this topic, *see* CRS Report RL34593, *Infringement of Intellectual Property Rights and State Sovereign Immunity*, by Todd Garvey and Brian T. Yeh.

[49] *See, e.g.,* Chavez v. Arte Publico Press, 204 F.3d 601 (5th Cir. 2000).

[50] Sec. 2(a) of H.R. 5889, adding a new § 514(d).

[51] 17 U.S.C. § 101 (definition of "useful article").

[52] Sec. 4(a) of H.R. 5889.

January 1, 2013, or the date on which the Copyright Office certifies at least two separate and independent, Internet-accessible electronic databases that allow for searches of copyrighted pictorial, graphic, and sculptural works.

Reports to Congress. H.R. 5889 directs the Register of Copyrights to report to Congress no later than December 12, 2014, on the implementation and effects of the limitation of liability for orphan works, including any recommendations for legislative change.[53]

The Register is also directed to conduct an inquiry with respect to remedies for "small" copyright infringement claims, that is, those seeking limited amounts of money damages.[54] This requirement appears to address the concerns of participants in the orphan works roundtables who expressed frustration at the expense of litigating a claim for copyright infringement. The Copyright Office is to invite public comment and conduct roundtables. At the conclusion, and not later than two years after the date of the enactment of the Orphan Works Act of 2008, the Office shall submit a report on this study to Congress, including such recommendations that the Register considers appropriate.

Finally, H.R. 5889 requires the Comptroller General of the United States to undertake a study examining the functioning of the deposit requirement in the copyright registration system.[55]

S. 2913, 110th Congress, Second Session, the Shawn Bentley Orphan Works Act of 2008. Introduced by Senator Leahy on April 24, 2008, the Shawn Bentley Orphan Works Act of 2008 mirrors many of the provisions of H.R. 5889 although it lacks several of the House bill's features. S. 2913, as introduced, does not require an infringer who seeks to qualify for an orphan works limitation on remedies to file a Notice of Use with the Copyright Office (therefore, the bill also does away with the need for the Copyright Office to maintain an archive retaining such notices). S. 2913 also does not contain an exception for infringers of useful articles (meaning that such infringers would be able to qualify for the limitations on remedies), nor does it require a court to give consideration to the fact that a work is registered in determining reasonable compensation. S. 2913 does, however, explicitly extend the safe harbor exemption for paying reasonable compensation to museums in addition to those entities that the House bill had exempted (nonprofit educational institutions, libraries, archives, and public broadcasting entities).[56] S. 2913 also differs from H.R. 5889 in terms of the effective date of the limitations on remedies for infringers of pictorial, graphic, and sculptural works, offering a date of the earlier of: January 1, 2011, or the date on which the Copyright Office certifies at least two electronic databases that meet the same criteria as the House bill.

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[53] Sec. 5 of H.R. 5889.

[54] Sec. 6 of H.R. 5889.

[55] Sec. 7 of H.R. 5889.

[56] Sec. 2(a) of S. 2913, as introduced, adding a new § 514(c)(1)(B).

Developments Since the Introduction of H.R. 5889 and S. 2913. On May 6, 2008, the House Subcommittee on Courts, the Internet, and Intellectual Property approved by voice vote a manager's amendment in the nature of a substitute that included several substantive changes to H.R. 5889.[57] The amendment explicitly adds museums to the list of entities that could qualify for the safe harbor of not having to pay reasonable compensation for infringing uses of orphan works, eliminating one difference with the Senate version of the orphan works legislation. Also, the manager's amendment instructs a court, before granting injunctive relief, to take into account any harm that the relief would cause the infringer due to the infringer's reliance on having performed a qualifying search for the copyright owner. Finally, the amendment clarifies that the limitation on remedies for use of orphan works does not apply for an infringer who "fails to render payment, in a reasonably timely manner, of any reasonable compensation agreed upon by the owner of the infringed copyright *and the infringer*" (emphasis added to show the change made by the amendment). According to Representative Howard Berman who offered the amendment, this additional language helps to ensure that the copyright owner cannot unilaterally "demand any amount of money, call it reasonable, and subject a user to damages."[58]

On May 15, 2008, the Senate Judiciary Committee approved by voice vote an amendment to S. 2913 in the nature of a substitute that was offered by its sponsors, Senators Leahy and Hatch.[59] The amendment adds the "useful articles" exception that is provided in the House bill, thereby disallowing infringers who use useful articles from trying to claim the limitation on remedies. In addition, like the manager's amendment to the House bill, the amendment to S. 2913 instructs a court, before granting injunctive relief, to take into account any harm that the relief would cause the infringer due to the infringer's reliance on having performed a qualifying search for the copyright owner. The amendment also changes one of the potential effective dates with respect to the limitation on remedies for infringement of pictorial, graphic, and sculptural works, to January 1, 2013, matching that of the House version. The amendment also includes a clarification similar to that in the House amendment, disallowing the limitation on remedies for an infringer who "fails to render payment of reasonable compensation in a reasonably timely manner *after reaching an agreement with the owner of the infringed copyright*" (emphasis added to show the change made to the original text of the bill). The substitute bill deletes a provision in the bill as introduced that would have denied museums, nonprofit educational institutions, libraries, archives, and public broadcasting entities the benefit of the safe harbor exemption from paying reasonable compensation if the owner of the infringed copyright proved (and the court found) that the infringer had earned proceeds directly attributable to the infringement. This provision still appears, however, in the House bill. Finally, the amendment changes the criteria that the Register of Copyright is to follow in certifying databases of pictorial, graphic, and

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[57] Carey Lening, *Amended Orphan Works Reform Bill Advances Through IP Subcommittee,* PATENT, TRADEMARK, & COPYRIGHT J., May 9, 2008, at 47.

[58] Andrew Noyes, *'Orphan Works' Measure Moves to Full Committee,* CONGRESSDAILYAM, May 8, 2008.

[59] Andrew Noyes, *Senate Panel Approves 'Orphan Works' Copyright Bill,* CONGRESSDAILYPM, May 15, 2008.

sculptural works, in a way that provides less statutory guidance to the Register for determining how to certify the databases and also eliminates the requirement that the database must be Internet-accessible:

> if such databases are determined to be effective and not prohibitively expensive and include the capability to be searched using 1 or more mechanisms that allow for the search and identification of a work by both text and image and have sufficient information regarding the works to enable a potential user of a work to identify or locate the copyright owner or authorized agent.

On September 26, 2008, the Senate passed S. 2913 with an amendment[60] by unanimous consent.[61] The amendment made the following modifications to S. 2913:

- Deletes the word and definition of "materials" from the definitions section,[62] although the struck language essentially reappears in a revised section later offered by the amendment that specifies "diligent effort" requirements that an infringer conducting a "qualifying search" must satisfy.

- Deletes a provision that would have conditioned eligibility for the limitations on remedies on the infringer consenting to the jurisdiction of United States district court.[63] Also modifies one of the qualifications for a limitation on injunctive relief for a derivative work, by requiring that the infringer pay reasonable compensation to the copyright owner — rather than, as S. 2913 originally provided, having the infringer make "an enforceable promise to pay reasonable compensation."[64]

- Revises the "requirements for qualifying searches" section in a manner that directs the infringer to "undertake[] a diligent effort that

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[60] S.Amdt. 5669, proposed by Senator Whitehouse for Senator Kyl.

[61] *Orphan Works Legislation Passes Senate By Unanimous Consent, Moves to House,* PATENT, TRADEMARK, & COPYRIGHT J., Oct. 3, 2008, at 754.

[62] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(a)).

[63] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(b)(1)(A). This change would appear to address the concerns of public universities, which feared that the jurisdictional provision would constitute a waiver of state sovereign immunity. *See* Association of Research Libraries, *Orphan Works Legislation*, June 2008, *available at* [http://www.arl.org/bm~doc/owlegislation.pdf] ("Public universities ... expressed concern that participation in the orphan works system would require them to waive sovereign immunity. In virtually all cases, the decision to waive sovereign immunity is made not by the public university but by its state government, and state governments have indicated that they will not permit their public universities to waive sovereign immunity as a condition of federal legislation.").

[64] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(c)(2)(C)(ii)). *See* Association of Research Libraries, *Orphan Works Legislation*, June 2008, *available at* [http://www.arl.org/bm~doc/owlegislation.pdf] ("The problem with this language is that 'enforceable' implies 'in court,' again implicating sovereign immunity.").

is reasonable under the circumstances to locate the owner of the infringed copyright prior to, and at a time reasonably proximate to, the infringement."[65] Defines "diligent effort" to require, at a minimum, the following conduct: searching Copyright Office records and "reasonably available sources of copyright authorship and ownership information"; using technology tools, printed publications, and expert assistance; and searching databases including those available to the public through the Internet. Further defines "diligent effort" to encompass "any actions that are reasonable and appropriate under the facts relevant to the search, including ... facts uncovered during the search."[66]

- Adds a requirement that any qualifying search be "ordinarily" based on the Copyright Office's statements of "Recommended Practices" for conducting a search for information on copyright registrations and owners, as well as any additional "best practices" of authors, copyright owners, and users that utilize the expertise of persons with specialized knowledge of the type of work for which the search is being conducted.[67]

- Amends the provision on "lack of identifying information" within the "requirements for searches" section, to provide that it is *insufficient* proof of the infringer performing a qualifying search to locate and identify the owner of the infringed copyright under either of two circumstances: (1) when a particular copy lacks identifying information pertaining to the owner of the copyrighted work, *or* (2) when an owner of the infringed copyright fails to respond to any inquiry or other communication about the work.[68]

- Rewrites the provision governing the "use of resources for charge" to indicate that a qualifying search "may require" use of subscription or other fee-based resources, "to the extent reasonable under the circumstances."[69]

- Modifies several of the Copyright Office's obligations under the orphan works system. First, requires the Register of Copyrights to

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[65] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(b)(2)(A)(i-v)).

[66] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(b)(2)(A)(ii)).

[67] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(b)(2)(A)(iii)).

[68] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(b)(2)(A)(iv)). As introduced, S. 2913 had only mentioned the first of these two scenarios.

[69] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(b)(2)(A)(v)). As introduced, S. 2913 stated that a qualifying search "may include" use of such "resources for charge ... to the extent that the use of such resources is reasonable for, and relevant to, the scope of the intended use." Thus, the amendment provides a less restrictive scope of usage of these resources.

periodically update the "statements of recommended practices,"[70] and, in so doing, the Register "shall consider any comments submitted to the Copyright Office by the Small Business Administration Office of Advocacy."[71] Also requires the Register, to the extent practicable, to consider the impact on small business copyright owners when she modifies and updates the recommended practices. Finally, provides that before the Copyright Office certifies databases that facilitate a user's search for pictorial, graphic, and sculptural works, the Register "shall determine, to the extent practicable, their impact on copyright owners that are small businesses and consult with the Small Business Administration Office of Advocacy regarding those impacts."[72]

- Slightly revises the "useful articles" exception that had been added by the Judiciary Committee's amendment, by inserting the word "commercial" before "distribution to the public," such that the exception now reads, "The limitations on remedies under this section shall not be available to an infringer for infringements resulting from fixation of a pictorial, graphic, or sculptural work in or on a useful article that is offered for sale or other commercial distribution to the public."[73]

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[70] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(b)(2)(B)(i)). S. 2913, as introduced, referred to this as "best practices" and had required the Register to update the statements only "at the Register's discretion."

[71] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(b)(2)(B)(ii)).

[72] S. 2913, as engrossed, § 3. Note that S. 2913, as introduced, lacked any of these small business-related requirements.

[73] S. 2913, as engrossed, § 2(a) (adding new 17 U.S.C. § 514(f)).