

NEGOTIATING THE UNKNOWN: A COMPULSORY LICENSING SOLUTION TO THE ORPHAN WORKS PROBLEM

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The artistic heritage of the United States is rotting away in “the bowels of a few great libraries,” providing value to no one. If the owner of a work’s copyrights is unknown or cannot be located, then the work cannot be licensed for use in new creative projects or preserved in a digital form, and is often unavailable to the public. To combat this “orphan works” problem, the Copyright Office has proposed a statutory limitation on infringement liability for users of orphan works who have completed a “reasonably diligent” search for the work’s owner. However, this limited liability approach provides only a half-measure of the legislative medicine needed to cure the orphan works problem. This Article argues that a compulsory licensing system is needed as well. Among other benefits, a compulsory license for orphan works would help minimize search, transaction, and administrative costs for users, incentivize investment in orphan works projects, and provide the flexibility necessary to bring major archival and restoration projects up to scale.

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INTRODUCTION

“Orphan works” are copyright-protected works whose owners are difficult, or even impossible, to locate.¹ The exact number of orphan works is unknown, but as a class they make up a sizeable portion of the overall copyright corpus,² particularly in the areas of photography, film, and sound recordings.³ For example, the Library of Congress (the Library) has over 1000 reels of unidentified silent films in its collection, over 35,000 reels of home movies, and hundreds of thousands of photograph and print images that lack sufficient identifying information to determine their rights status.⁴ While some of these works are of little or no value, many are of great cultural and historical significance.⁵ For instance, the Library has a substantial collection of photographs and sound recordings from the civil rights era in its NAACP Collection, but since many of these works lack copyright information they cannot be

¹ REGISTER OF COPYRIGHTS, REPORT ON ORPHAN WORKS 1 (Jan. 2006) [hereinafter REPORT ON ORPHAN WORKS], available at <http://www.copyright.gov/orphan/orphan-report.pdf>. According to the Copyright Office, the most common obstacles to locating a copyright owner are: “(1) inadequate identifying information on a particular copy of the work; (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.” *Id.* at 22.

² See *id.* at 27–40 (analyzing the circumstances that give rise to orphan works based on anecdotal evidence); see also WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 211–12 (2003); William M. Landes & Richard A. Posner, *Indefinitely Renewable Copyright*, 70 U. CHI. L. REV. 471, 496–513 (2003) (empirical analysis of trends of copyright registration and renewals over the last century suggests a large number of works may be orphan works, on the basis of non-renewal by copyright owners).

³ See REPORT ON ORPHAN WORKS, *supra* note 1, at 22–26. The Copyright Office has noted that photographs are particularly problematic in that they frequently lack ownership information, such as no label or caption being affixed to the photographs themselves. *Id.* at 22–23. As a result, subsequent users of these photographs do not have even the most basic information necessary to begin a search for the copyright owner. *Id.*

⁴ See COMMENTS OF THE LIBRARY OF CONGRESS, IN THE MATTER OF ORPHAN WORKS AND MASS DIGITIZATION 6 (Feb. 4, 2013) [hereinafter LIBRARY OF CONGRESS], available at http://www.copyright.gov/orphan/comments/noi_10222012/Library-of-Congress.pdf.

⁵ H.R. REP. NO. 94-1476, at 136 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5752 (“A statistical study of renewal registrations made by the Copyright Office in 1966 supports the generalization that most material which is considered to be of continuing or potential commercial value is renewed. Of the remainder, a certain proportion is of practically no value to anyone, but there are a large number of unrenewed works that have scholarly value to historians, archivists, and specialists in a variety of fields.”); see also REPORT ON ORPHAN WORKS, *supra* note 1, at 44.

made publicly available in digital form.⁶ Similarly, due to the high cost of copyright litigation—and the risk of incurring statutory damages as well as plaintiff’s attorneys’ fees and costs⁷—many creators,⁸ scholars, and small publishers are discouraged from using orphan works, “even where there is no one who would object to the use.”⁹ Ownership uncertainty also prevents archivists from properly caring for delicate older works, leading to their degradation and eventual destruction.¹⁰

In 2006, at the request of members of Congress, the Copyright Office prepared an Orphan Works Report (Report) that comprehensively detailed the challenges that subsequent users faced in locating unknown copyright owners.¹¹ As part of the Report, the Copyright Office recommended that Congress adopt a statutory limitation on the remedies available to later-emerging copyright owners in actions against users of orphan works: The so-called “limited remedies” or “ad hoc” approach.¹² Under this proposal, a copyright owner who was located after use of her work commenced would only be entitled to limited injunctive relief and “reasonable compensation” if the user had previously performed a “reasonably diligent search” for the copyright owner, and had provided proper attribution to the author of the work wherever appropriate.¹³ The Copyright Office also recommended that a “take down” option be used in lieu of monetary compensation for certain noncommercial uses of orphan works.¹⁴ The

⁶ See LIBRARY OF CONGRESS, *supra* note 4, at 7.

⁷ See 17 U.S.C. §§ 504–505 (2012) (providing courts with discretion to award up to \$150,000 in statutory damages per work infringed, as well as attorney’s fees and costs to the prevailing party); see also COMMENTS OF THE INTERNATIONAL DOCUMENTARY ASSOCIATION, IN THE MATTER OF ORPHAN WORKS AND MASS DIGITIZATION 9 (Feb. 4, 2013) [hereinafter INT’L DOCUMENTARY ASS’N], available at [http://www.copyright.gov/orphan/comments/ noi_10222012/International-Documentary-Association.pdf](http://www.copyright.gov/orphan/comments/noi_10222012/International-Documentary-Association.pdf) (“The current system heavily discourages filmmakers from using orphan works outside of fair use, as it leaves filmmakers exposed to crushing liability and the threat of injunctions that could close down a project entirely.”).

⁸ In this Article, the terms “author,” “artist,” “writer,” and “creator,” are used synonymously to denote the originator of creative expression, except where otherwise specified. A “user” of copyrighted work may also be a creative originator, as in the case of a derivative work, though not all uses rise to the level of independently protectable expression. For a general discussion of the definition of authorship in copyright law, see JULIE E. COHEN ET AL., COPYRIGHT IN A GLOBAL INFORMATION ECONOMY 116–43 (3d ed. 2010).

⁹ Orphan Works, 70 Fed. Reg. 3739, 3741 (Jan. 26, 2005) [hereinafter Notice: Orphan Works].

¹⁰ See *id.* at 3740 n.3 (citing Letter from Larry Urbanski, Chairman, Am. Film Heritage Ass’n, to Sen. Strom Thurmond (Mar. 31, 1997), available at <http://www.public.asu.edu/~dkarjala/letters/AFH.html>) (“[A]s much as 75% of motion pictures from the 1920s are no longer clearly owned by anyone, and film preservationists as such cannot obtain the necessary permissions to preserve them.”).

¹¹ See generally REPORT ON ORPHAN WORKS, *supra* note 1.

¹² See *id.* at 115–21.

¹³ See *id.*

¹⁴ See *id.*

Report did not specify what would constitute “reasonable diligence” in searching for the owner of an orphan work, instead “favor[ing] the development of guidelines or even binding criteria” by users and copyright stakeholders.¹⁵

While this proposal has garnered praise from commentators,¹⁶ there is an alternative and complementary statutory approach that may prove even more advantageous: compulsory licensing. Under a compulsory licensing system, users are allowed to use certain types of works under specific circumstances, in exchange for a statutorily determined fee.¹⁷ Such a system has several significant advantages over limited liability alone.¹⁸

First, compulsory licenses have low transaction costs.¹⁹ The fee that a user pays in exchange for a statutory license is equivalent to the contract price of the use, and no additional costs are incurred in negotiating the license.²⁰ This feature of compulsory licenses is of great benefit to the efficient licensing of orphan works, as the higher the transaction costs are, the less likely that a license will be obtained.²¹ In particular, compulsory licensing would facilitate mass digitization projects, where even modest transaction costs may become prohibitively expensive when multiplied across thousands or millions of individual licenses.²²

Second, compulsory licensing is scalable; an ad hoc approach is not. Requiring users to attempt to locate the individual owners of orphan works burdens them with significant administrative, search, and opportunity costs. This, in turn, limits the types of users who can

¹⁵ See *id.* at 108.

¹⁶ See, e.g., INT’L DOCUMENTARY ASS’N, *supra* note 7, at 2–3.

¹⁷ There are several different types of compulsory licenses currently provided by the Copyright Act: Non-dramatic musical compositions, public broadcasting, retransmission by cable TV systems, subscription audio transmission, and non-subscription digital audio transmission. See 17 U.S.C. §§ 115, 118, 111(c), 114(d)(1)–(2) (2012).

¹⁸ Compulsory licensing and limited remedies could also be used together, as neither is mutually exclusive. See, e.g., Orphan Works and Mass Digitization, 77 Fed. Reg. 64555, 64559 (Oct. 22, 2012) [hereinafter Notice: Mass Digitization] (“[U]nder current law the issues of mass digitization and orphan works cannot reasonably be separated from the issue of licensing because the premise of an orphan works situation is that a good faith user has tried to, or would like to, locate the copyright owner but cannot.”).

¹⁹ See Richard A. Posner, *Transaction Costs and Antitrust Concerns in the Licensing of Intellectual Property*, 4 J. MARSHALL REV. INTELL. PROP. L. 325, 327–28 (2005) (arguing that transaction costs threaten the market ability to efficiently allocate intellectual property rights, and that compulsory license provide a means to eliminate transaction costs).

²⁰ See *id.* at 328 (“The fee that the licensee under a compulsory license must pay is not meant to defray the licensing costs, in whole or in part, but to compensate the copyright owner for the value of his property (more precisely, the value represented by the copyright). The fee thus is the equivalent of the contract price and is distinct from the transaction costs—the costs of making the contract—which are still . . . zero.”).

²¹ See *id.* at 325.

²² See *infra* Part III for a discussion of concerns raised about the use of compulsory licensing in the orphan works context.

undertake such resource-intensive projects. For example, well-capitalized commercial enterprises may be able to shoulder the costs associated with searching for thousands of lost owners, but it is highly unlikely that a poorer market competitor or a non-profit organization could act similarly.

Third, a compulsory licensing regime would provide greater certainty and less risk for investors funding new creative projects. A mechanism that allows users to acquire a positive entitlement in a particular work (e.g., a non-exclusive license) is of substantially greater value for risk-averse investors and insurers than a mere limitation on potential damages.²³ This, in turn, would likely lead to more direct investment and lower cost-of-capital for creative endeavors that draw upon orphan works.

Fourth, and finally, in the event that a lost owner does come forward, it would be less costly for him to collect accrued royalty payments from licensees than to win damages. Copyright infringement actions are often cost-prohibitive for private individuals and small business entities due to the fact-intensive nature of these claims.²⁴ Conversely, enforcing the payment conditions of a license contract would be far less expensive, especially if pursued through some form of small claims proceeding.²⁵

Statutory orphan works licensing already exists in various forms in Canada,²⁶ the United Kingdom,²⁷ and throughout Europe and Asia.²⁸

²³ See INT'L DOCUMENTARY ASS'N, *supra* note 7, at 3 ("Even when an occasional filmmaker can stomach the risk of litigation, statutory damages, and an injunction that could stop the project completely, he or she generally cannot obtain insurance coverage, distribution deals . . . [and] [i]n many cases, even film festivals will refuse to screen films containing orphan works."); cf. James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 894 (2007).

²⁴ See AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY (2011) [hereinafter AIPLA]. For copyright claims valued at between \$1–25 million the average cost through the end of discovery was \$543,000 and through the end of trial was \$932,000. *Id.* For claims above \$25 million, the costs through the end of discovery averaged \$1.22 million, and through trial \$2 million. *Id.* These calculated costs included outside and local counsel, associates, paralegal services, travel and living expenses, fees and costs for court reporters, copies, couriers, exhibit preparation, analytical testing, expert witnesses, translators, surveys, jury advisors, and similar expenses, but were exclusive of judgments and damage awards. *Id.*

²⁵ However, the costs of infringement claims could decrease significantly, as the Copyright Office is currently studying whether to create a procedure to adjudicate small copyright claims. See generally REGISTER OF COPYRIGHTS, COPYRIGHT SMALL CLAIMS (Sept. 2013), available at <http://www.copyright.gov/docs/smallclaims/usco-smallcopyrightclaims.pdf>.

²⁶ See Copyright Act, R.S.C. 1985, c. C-42, § 77 (Can.); see also *infra* Part IV.

²⁷ See Copyright, Design and Patents Act 1988, c. 48, § 57 (U.K.); see also Copyright and Related Rights Act 2000 (Act No. 28/2000) § 88 (Ir.).

²⁸ See U.S. COPYRIGHT OFFICE, LEGAL ISSUES IN MASS DIGITIZATION: A PRELIMINARY ANALYSIS AND DISCUSSION DOCUMENT app. D (Oct. 2011) [hereinafter PRELIMINARY ANALYSIS], available at http://www.copyright.gov/docs/massdigitization/USCOMassDigitization_October2011.pdf.

These regimes serve as instructive models for building an orphan works licensing regime into the U.S. Copyright Act.

However, many commentators and market participants are opposed (some quite adamantly)²⁹ to statutory or collective licensing of orphan works.³⁰ They argue, *inter alia*, that licensing would be economically inefficient, inequitable to copyright owners, and would have a deleterious effect on public access to copyrighted works.³¹ These are reasonable and valid concerns, but they are nearly all predicated on the negative effects of users *actually paying* to license orphan works in advance of use, rather than merely *promising* to pay if and when a rights holder appears.

This Article proposes a statutory licensing system where instead of making an upfront royalty payment to be held in escrow, a user would instead contractually agree to pay the royalty fee only after an owner appears and exercises her contractual rights. Under this system, a licensee would write the copyright owner a promissory note³² in exchange for a non-exclusive license to use her work. This license would be *conditioned* upon future payment of the royalty fee and on strict adherence to the scope of the license granted. If these conditions were not met by the user or her successor-in-interest, then the user would not only be in breach of the license contract but the use itself would be unlicensed, subjecting the user to the full slate of damages provided for in the Copyright Act.³³ The royalty fee specified in this note would be a

²⁹ See, e.g., COMMENTS OF THE LIBRARY COPYRIGHT ALLIANCE, IN THE MATTER OF ORPHAN WORKS AND MASS DIGITIZATION 8 (Jan. 14, 2013) [hereinafter LIBRARY COPYRIGHT ALLIANCE], available at http://www.copyright.gov/orphan/comments/noi_10222012/Library-Copyright-Alliance.pdf (“[A]ny legislative approach that involves licensing, such as extended collective licensing, is completely unacceptable to the library community. It would be enormously costly to users, and little if any of the fees collected would ever actually reach the copyright owners of the orphan works.”).

³⁰ For a discussion of the differences between statutory and collective licensing, see *infra* Parts III, IV.

³¹ See *infra* Part III.

³² A promissory note is a written contract where one party (the issuer) makes an unconditional promise to pay a sum of money to the other party (the payee) under specific terms at some determinable time in the future or on-demand of the payee. See, e.g., U.C.C. § 3-412 (2002) (“The issuer of a note . . . is obliged to pay the instrument . . . according to its terms at the time it was issued . . .”); *Promissory Note Definition*, INVESTOPEDIA, <http://www.investopedia.com/terms/p/promissorynote.asp> (last visited Nov. 18, 2013).

³³ See *Jacobsen v. Katzer*, 535 F.3d 1373, 1380 (Fed. Cir. 2008) (“Generally, a copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement and can sue only for breach of contract. If, however, a license is limited in scope and the licensee acts outside the scope, the licensor can bring an action for copyright infringement.” (citations omitted) (internal quotation marks omitted)); see also *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989) (same); 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.15[A] (2013) (same); cf. *Grosso v. Miramax Film Corp.*, 383 F.3d 965, 967–68 (9th Cir. 2004) (rejecting copyright claim for lack of substantial similarity in an idea theft case, but finding that copyright law did not pre-empt a breach of contract claim).

rate reasonably determined based upon the intended use (e.g., commercial vs. noncommercial use) and the type of user licensing the work (e.g., a for-profit vs. a non-profit entity). Profit participation in derivative works based on an orphan work could also be granted to the owner, if appropriate.³⁴ The promissory note would expire when the orphan work enters the public domain. The collecting society's administrative costs—executing license agreements, searching for copyright holders, maintaining a database of licensed uses, etc.—would be paid through a separate administrative fee. This would separate the monies owed to the copyright holder (the license fee) from the fees collected by the society (the administrative fee), thus avoiding the agency problems at the core of many criticisms of collective licensing schemes.³⁵

This Article proceeds as follows. Part I provides a historical overview of the orphan works problem. Part II evaluates the limited remedies approach. Part III assesses the merits of adopting a statutory licensing scheme for orphan works. Part IV briefly discusses foreign orphan work licensing systems, and proposes a compulsory licensing structure designed to complement the limited remedies approach.

I. THE ORPHAN WORKS PROBLEM

Though it is impossible to determine the precise number of orphan works in existence, empirical and anecdotal evidence suggests that they make up a large portion of the copyright corpus. For instance, the Library of Congress estimates that it has more than 1000 reels of orphan silent films in its collection, 35,000 reels of home movies, and hundreds of thousands of historically significant photographic images.³⁶ The Library also houses nearly 3.5 million sound recordings that are not

³⁴ See generally MARK LITWAK, *DEALMAKING IN THE FILM & TELEVISION INDUSTRY: FROM NEGOTIATIONS TO FINAL CONTRACTS* 299 (3d ed. 2009); Evan Medow & Alan H. Kress, *Copyright*, in 9 *ENTERTAINMENT INDUSTRY CONTRACTS: NEGOTIATING AND DRAFTING GUIDE* ¶ 172 (Donald C. Farber & Peter A. Cross eds., 2013).

³⁵ See, e.g., Jonathan Band, *Cautionary Tales About Collective Rights Organizations* 1–27 (Georgetown Univ. Law Ctr. Working Papers Series Sept. 19, 2012), available at <http://ssrn.com/abstract=2149036> (detailing corruption, financial mismanagement, and self-dealing in international collective rights organizations).

³⁶ See LIBRARY OF CONGRESS, *supra* note 4, at 7–14; see also Notice: Mass Digitization, *supra* note 18, at 64555 (“[A] significant percentage of the problem, if not the lion’s share, involves orphan photographs. Photographs are particularly challenging because they affect a vast variety of images, from historically important archival photographs residing in archives to contemporary photographs for which there may or may not be a living copyright owner. Photographs of all kinds also frequently lack or may become divorced from ownership information; that is, no label or caption is affixed to the photographs themselves. As a result, potential users of photographic works often lack the most basic information to begin a search.”).

commercially available and do not have an identifiable owner.³⁷ Add to these historical works the trove of newly-created anonymous and pseudonymous content that is published daily on the Internet,³⁸ and the total number of orphan works is immense and ever-growing.³⁹

It was not always so. Orphan works are a relatively recent phenomenon, the estranged children borne of the marriage of U.S. and international intellectual property law in the latter half of the twentieth century. Beginning with the Copyright Act of 1976,⁴⁰ followed by the Berne Convention Implementation Act of 1988,⁴¹ and culminating in the Copyright Term Extension Act of 1998,⁴² the statutory prerequisites for copyright protection in the United States have shifted away from a set of strict formalities requiring publication, registration, and notice.⁴³ Under current law, no formalities are required for the full bundle of copyrights to adhere; any work containing a “modicum of creativity”⁴⁴ that has been fixed in a tangible medium of expression is automatically protected.⁴⁵ While the current *de minimis* requirements afford protection to far more authors and creative works than were protected under the previous system, these legislative reforms have had the

³⁷ See LIBRARY OF CONGRESS, *supra* note 4, at 14.

³⁸ For example, Google, Inc. estimates that 100 hours of video are uploaded to YouTube.com *every minute*, resulting in roughly sixteen years of content uploaded per day. See *Statistics*, YOUTUBE.COM, <http://www.youtube.com/yt/press/statistics.html> (last visited Oct. 5, 2013). By rough estimation, the site has amassed over 23,000 *years* of video since its founding in 2005.

³⁹ Fred von Lohmann, Senior Copyright Counsel at Google, has described the majority of these works as “orphaned at birth” and the “dark matter of copyright.” Fred von Lohmann, Remarks at Berkeley Center for Law & Technology Symposium on *Reform(aliz)ing Copyright for the Internet Age* (Apr. 18, 2013), available at <http://www.law.berkeley.edu/15235.htm> (audio recording); see also COMMENTS OF THE ELECTRONIC FRONTIER FOUNDATION AND PUBLIC KNOWLEDGE, IN THE MATTER OF ORPHAN WORKS AND MASS DIGITIZATION 7 (Feb. 4, 2013) [hereinafter EFF], available at http://www.copyright.gov/orphan/comments/noi_10222012/Public-Knowledge-and-Electronic-Frontier-Foundation.pdf (“Add to this the fact that no effort beyond the initial fixation of the work itself is required for protection, and the number of copyrighted works in existence in the world becomes astronomical, and increases by millions each day.”).

⁴⁰ See generally Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended 17 U.S.C. §§ 101–810 (2012)).

⁴¹ See generally Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (codified as amended 17 U.S.C. §§ 101, 104, 116, 116A, 205, 301, 401–408, 411, 501, 504, 801).

⁴² See generally Sonny Bono Copyright Term Extension Act of 1998, Pub. L. No. 105-298, 112 Stat. 2827 (codified as amended 17 U.S.C. §§ 101, 108, 203, 301–304); see also *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (affirming the constitutionality of the 1998 Copyright Term Extension Act, which extended the duration of copyright to the life of the author plus seventy years).

⁴³ See generally Copyright Act of 1909, Pub. L. No. 60-349, §§ 10, 23, 35 Stat. 1075, 1078, 1080, *repealed by* Copyright Act of 1976.

⁴⁴ See *Feist Publ'ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 347, 363 (1991) (only a “modicum of creativity” is required for a work to be sufficiently original for the purposes of copyright protection).

⁴⁵ 17 U.S.C. §§ 101, 102.

unfortunate side effect of creating a body of copyrighted works whose ownership status is uncertain.⁴⁶

Under the 1909 Copyright Act, the term of protection for a copyrighted work was limited to an initial term of twenty-eight years, with an option to renew for an additional twenty-eight years.⁴⁷ Under this system, if a copyright owner (or her heirs) were no longer interested in exploiting the work at the time of renewal, or a corporate owner no longer existed, then the work entered the public domain.⁴⁸ The Copyright Act of 1909 also required that works be published and that copyright notice be affixed to each copy.⁴⁹ Given these strict renewal and notice requirements, some copyrights were unintentionally allowed to enter the public domain.⁵⁰ Aware of this danger, international intellectual property treaties (most notably the Berne Convention) forbid formalities as a precondition to copyright protection, on the basis that formal requirements served as a “trap for the unwary” that could

⁴⁶ See Marybeth Peters, Register of Copyrights, *The Importance of Orphan Works Legislation*, COPYRIGHT.GOV (Sept. 25, 2008), http://www.copyright.gov/orphan/OW_Legislation (“[T]hese orphans are a by-product of three decades of change that has slowly but surely relaxed the obligations of copyright owners to assert and manage their rights. . . . The net result of these amendments has been that more and more copyright owners may go missing. To be sure, such revisions were enacted to protect authors from technical traps in the law and to ensure United States compliance with international conventions. But there is no denying that they diminished the public record of copyright ownership and made it more difficult for the business of copyright to function.”). Commentators also argue that the current copyright regime prevents access to culturally valuable orphan works. See generally Brianna Dahlberg, Note, *The Orphan Works Problem: Preserving Access to the Cultural History of Disadvantaged Groups*, 20 S. CAL. REV. L. & SOC. JUST. 275 (2011) (arguing that orphan works prevent public access to works of minority groups who often have less reliable ownership records); Steven D. Jamar, *A Social Justice Perspective on the Role of Copyright in Realizing International Human Rights*, 25 PAC. MCGEORGE GLOBAL BUS. & DEV. L.J. 289, 290–94 (2012) (arguing that access to information is a form of human right and that copyrights must be regulated for the public good).

⁴⁷ See Copyright Act of 1909 § 23 (“[T]he copyright secured by this Act shall endure for twenty-eight years from the date of first publication [T]he proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright.”); see also Notice: Orphan Works, *supra* note 9, at 3739.

⁴⁸ See Copyright Act of 1909 § 23.

⁴⁹ See *id.* § 9 (“[A]ny person entitled thereto by this Act may secure copyright for his work by publication thereof with the notice of copyright required by this Act; and such notice shall be affixed to each copy thereof published or offered for sale in the United States by authority of the copyright proprietor”); see also Thomas P. Arden, *The Questionable Utility of Copyright Notice: Statutory and Nonlegal Incentives in the Post-Berne Era*, 24 LOY. U. CHI. L.J. 259, 261–63 (1993) (arguing that notice provisions “gave rise to substantial litigation and led to a whole body of law” over legal formalisms).

⁵⁰ For example, many scholars have argued that the early Walt Disney cartoon *Steamboat Willie* is in the public domain due to infirmities in its copyright registration. See generally Douglas A. Hedenkamp, *Free Mickey Mouse: Copyright Notice, Derivative Works, and the Copyright Act of 1909*, 2 VA. SPORTS & ENT. L.J. 254 (2003). However, the Walt Disney Co. strongly denies that copyright protection has expired. See Joseph Menn, *Whose Mouse Is It Anyway?*, L.A. TIMES, Aug. 22, 2008, at A2.

result in inadvertent loss of copyright.⁵¹ The legislative history of the 1976 Copyright Act echoes these concerns: Renewal requirements are characterized as producing an “incalculable amount of unproductive work” that often results in an “inadvertent and unjust loss of copyright.”⁵² Though Congress acknowledged that abolishing renewal requirements and extending the copyright term would “tie up a substantial body of material that is probably of no commercial interest,” and could well interfere with scholarly and archival uses of such works, these concerns were summarily dismissed.⁵³ The 1976 Copyright Act removed the renewal requirement for all new works, but kept it for works copyrighted before 1978. In 1992 the renewal requirement was abolished entirely.⁵⁴ Under current U.S. copyright law, copyright inures at the moment an original work of authorship is fixed in a tangible form, and the work does not need to be registered with the Copyright Office or published with notice to obtain protection.⁵⁵ Likewise, the term of copyright protection is not divided into an initial term and a renewal term (as it was under the 1909 Act), but rather endures (in most instances) for the life of the author plus seventy years.⁵⁶ If the date of the author’s death is unknown, copyright persists for ninety-five years from date of first publication, or 120 years from date of creation, whichever expires first.⁵⁷

Given the long duration of copyright protection, a situation often arises where a creator seeks to incorporate an older work into a new work⁵⁸ but the copyright owner cannot be found to ask permission.⁵⁹

⁵¹ See Berne Convention for the Protection of Literary and Artistic Works, art. 5(2), Sept. 9, 1886, as amended Sept. 28, 1979, S. TREATY DOC. NO. 99-27 (1986), available at http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html; see also STEF VAN GOMPEL, FORMALITIES IN COPYRIGHT LAW: AN ANALYSIS OF THEIR HISTORY, RATIONALES AND POSSIBLE FUTURE 156–61 (2011) (discussing the reasons why the drafters of the Berne Convention prohibited formalities for copyright protection). The Berne Convention “no formalities” requirement has been incorporated by reference into both the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and the World Intellectual Property Organization Copyright Treaty (WCT). See Agreement on Trade-Related Aspects of Intellectual Property Rights art. 9.1, Apr. 15, 1994, 33 I.L.M. 81, 87; WIPO Copyright Treaty art. 3, Dec. 20, 1996, 36 I.L.M. 65, 69; cf. WIPO Performances and Phonograms Treaty art. 20, Dec. 20, 1996, 36 I.L.M. 76, 87 (containing an express “no formalities” provision without reference to the Berne Convention).

⁵² H.R. REP. NO. 94-1476, at 134 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5750.

⁵³ See *id.* at 136.

⁵⁴ Notice: Orphan Works, *supra* note 9, at 3740.

⁵⁵ See 17 U.S.C. § 102 (2012) (“Copyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression, now known or later developed . . .”); see also *Feist Publ’ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 347 (1991).

⁵⁶ See 17 U.S.C. § 302(a).

⁵⁷ See *id.* § 302(c). The same rule applies to works made for hire. *Id.*

⁵⁸ For example, an author may want to include an old photograph in a new manuscript, or a musician may want to record a new arrangement of an old song, etc.

⁵⁹ See U.S. COPYRIGHT OFFICE, REPORT ON COPYRIGHT AND DIGITAL DISTANCE EDUCATION 42 (May 1999), available at http://www.copyright.gov/reports/de_rprt.pdf (“[I]t

Depending on the age of the older work, the creator might be reasonably confident that an infringement claim is unlikely.⁶⁰ However, the copyright is still live and enforceable, and the potential for liability remains should the owner ever come forward in the future.⁶¹ This risk acts as a significant deterrent to the use of orphan works in projects that require significant outside investment, such as documentary films.⁶² For example:

Even when an occasional filmmaker can stomach the risk of litigation, statutory damages, and an injunction that could stop the project completely, he or she generally cannot obtain insurance coverage, distribution deals . . . [and] [i]n many cases, even film festivals will refuse to screen films containing orphan works.⁶³

Even if the subsequent creator were to use the older work in a manner that would likely constitute fair use,⁶⁴ the Library of Congress has noted that reliance on fair use can be “risky, inadequate and expensive, particularly if litigation ensues.”⁶⁵ Furthermore, fair use alone may be insufficient to meet the needs of particular users.⁶⁶ The Copyright Office has also noted that many users do not have the resources to risk using an orphan work.⁶⁷ Given the high costs of litigation and the inability of most artists and publishers to bear these costs, the result is that orphan works often are not used, “even where there is no one who would object to the use.”⁶⁸

In other words, the uncertainty surrounding orphan works undermines the economic incentives to create new works drawing on

can be time-consuming, difficult or even impossible to locate the copyright owner.”).

⁶⁰ See REPORT ON ORPHAN WORKS, *supra* note 1, at 15.

⁶¹ See *id.*

⁶² See *id.*

⁶³ INT’L DOCUMENTARY ASS’N, *supra* note 7, at 3.

⁶⁴ See 17 U.S.C. § 107 (2012); see also Jennifer M. Urban, *How Fair Use Can Help Solve the Orphan Works Problem*, 27 BERKELEY TECH. L.J. 1379, 1411 (2012) (arguing that fair use has significant advantages over licensing regimes through a reduction in administrative and transactional costs, the elimination of socially wasteful licensing fees for works for which an owner is unlikely to exist).

⁶⁵ LIBRARY OF CONGRESS, *supra* note 4, at 3.

⁶⁶ *Id.*; see also Wendy J. Gordon, *Do We Have a Right to Speak with Another’s Language? Eldred and the Duration of Copyright*, in COPYRIGHT AND HUMAN RIGHTS 109, 127 (Paul L.C. Torremans ed., 2004) (considering a music historian’s need to collect exact copies of a song); Wendy J. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533, 1591 (1993) (“Sometimes particular words are essential.”); Rebecca Tushnet, *Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It*, 114 YALE L.J. 535, 546 (2004) (discussing the importance of exact replication).

⁶⁷ See REPORT ON ORPHAN WORKS, *supra* note 1, at 15 (“Many users of copyrighted works who have limited resources or are particularly risk-averse have indicated that the risk of liability for copyright infringement, however remote, is enough to prompt them simply to not make use of the work.”).

⁶⁸ Notice: Orphan Works, *supra* note 9.

pre-existing material by burdening users with prohibitive search, transaction, and legal costs.⁶⁹ “When the author cannot be found, subsequent creators are dissuaded from creating new works . . . resulting in a net loss for the creative wealth of society.”⁷⁰ As numerous commentators have argued, this results in harm to the public interest by restricting access to knowledge,⁷¹ deterring innovation⁷² and creative expression,⁷³ as well as limiting exercise of First Amendment rights.⁷⁴

⁶⁹ See Sami J. Valkonen & Lawrence J. White, *An Economic Model for the Incentive/Access Paradigm of Copyright Propertization: An Argument in Support of the Orphan Works Act*, 29 HASTINGS COMM. & ENT. L.J. 359, 396–99 (2007).

⁷⁰ Libby Greismann, *The Greatest Book You Will Never Read: Public Access Rights and the Orphan Works Dilemma*, 11 DUKE L. & TECH. REV. 193, 200 (2012).

⁷¹ See Notice: Orphan Works, *supra* note 9 (“[T]he public interest may be harmed when works cannot be made available to the public due to uncertainty over its copyright ownership and status”); see also Miguel Helft, *Google’s Plan for Out-of-Print Books is Challenged*, N.Y. TIMES, Apr. 4, 2009, at A1 (reporting the view that orphan works create disutility by sitting “lost in the bowels of a few great libraries,” rather than being actively available for public access).

⁷² See, e.g., *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928–29 (2005) (recognizing “concern that imposing liability, not only on infringers but on distributors of software based on its potential for unlawful use, could limit further development of beneficial technologies”); Michael A. Carrier, *Copyright and Innovation: The Untold Story*, 2012 WIS. L. REV. 891 (presenting evidence of the chilling effect of copyright lawsuits and statutory damages on investments in technology innovation involving copyrighted content on the basis of interviews with innovators and investors).

⁷³ See, e.g., INT’L DOCUMENTARY ASS’N, *supra* note 7, at 2 (“[W]e are on the cusp of a golden age in independent and documentary film production: digital production, distribution, and marketing technologies are revolutionizing how we create new works The orphan works problem is perhaps the single greatest impediment to these changes”).

⁷⁴ See Yochai Benkler, *Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, 74 N.Y.U. L. REV. 354, 358 (1999) (“[T]he First Amendment requires a robust public domain.”); see also C. Edwin Baker, *First Amendment Limits on Copyright*, 55 VAND. L. REV. 891 (2002); R. Terry Parker, Note, *Sold Downstream: Free Speech, Fair Use, and Anti-Circumvention Law*, 6 PIERCE L. REV. 299, 301–03 (2007) (discussing the tension between the First Amendment and copyright law in the context of the DMCA’s anti-circumvention provisions). See generally Marci A. Hamilton, *Copyright at the Supreme Court: A Jurisprudence of Deference*, 47 J. COPYRIGHT SOC’Y U.S.A. 317, 343–45 (2000); Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147 (1998); Neil Weinstock Netanel, *Locating Copyright Within the First Amendment Skein*, 54 STAN. L. REV. 1 (2001); Melville B. Nimmer, *Does Copyright Abridge the First Amendment Guarantees of Free Speech and Press?*, 17 UCLA L. REV. 1180 (1970) (describing the mechanism through which copyright law avoids offending the First Amendment); Jed Rubenfeld, *The Freedom of Imagination: Copyright’s Constitutionality*, 112 YALE L.J. 1 (2002).

II. THE LIMITED REMEDIES SOLUTION

A. *The 2005 Orphan Works Report*

In 2005 the Copyright Office undertook a study of the orphan works problem at the request of members of Congress.⁷⁵ After a yearlong comprehensive review, the Copyright Office prescribed a legislative cure: Amend the Copyright Act to provide limitations on infringement remedies in the case of an orphan work.⁷⁶ The Copyright Office identified two overarching policy goals in its recommendations to Congress. First, any system dealing with orphan works should make it more likely that a user will be able to find the work's owner and voluntarily negotiate permission to use the work.⁷⁷ The system should encourage copyright holders to make themselves accessible to potential users, and likewise spur users to make reasonable efforts to find these owners.⁷⁸ Second, if a user cannot find the owner of a work after a reasonably diligent search, the system would permit use of the work subject to provisions that balance the interests of the rights holder against the reliance the user has placed on the work's orphan status.⁷⁹ This legislation should also include a mechanism to resolve a dispute if the owner is found after use has commenced.⁸⁰ To achieve these ends, the Copyright Office proposed the following:

- (1) Limited statutory remedies would be available to a copyright owner when a user is unable to locate them after conducting a good faith, reasonably diligent search;
- (2) These limitations would be applicable on an ad hoc basis, such that users of an orphan work could not assume that it would retain its orphan status indefinitely; and
- (3) Rights holders would be entitled to collect reasonable compensation from the user, but not statutory damages or attorney's fees.⁸¹

Following these guidelines, a user must complete a reasonably diligent search for the lost copyright owner before the use of the work commences.⁸² Should the copyright owner later emerge and sue for

⁷⁵ REPORT ON ORPHAN WORKS, *supra* note 1, at 17.

⁷⁶ *Id.* at 93–110.

⁷⁷ *Id.* at 93.

⁷⁸ *Id.*

⁷⁹ *Id.* at 94.

⁸⁰ *See id.*

⁸¹ Notice: Mass Digitization, *supra* note 18, at 64557. For the exact statutory language proposed by the Copyright Office see REPORT ON ORPHAN WORKS, *supra* note 1, at 127.

⁸² REPORT ON ORPHAN WORKS, *supra* note 1, at 96.

infringement, the user would bear the burden of proving that his search met this standard.⁸³ The Copyright Office did not elaborate on what would constitute a “reasonably diligent search” for a lost owner, instead “favor[ing] the development of guidelines or even binding criteria” by users and copyright stakeholders.⁸⁴ The Copyright Office proposed that in some instances it may be reasonable for a user to rely on a previous search, but such “piggybacking” should not be permitted per se, as it is possible that a lost owner might be found between the time of the search and the later use.⁸⁵ For example, a previously un-attributable photograph might later be credited to a known photographer after the photographer’s relative digitizes their family albums and posts them on a photo-sharing website. As such, “orphan work” is not a permanent designation, and all subsequent users must undertake their own search in order to qualify for limited liability.⁸⁶

Because of the wide variety of different works that might qualify as orphaned⁸⁷ what constitutes a “reasonably diligent search” would be determined on a case-by-case basis in light of the totality of the circumstances.⁸⁸ However, in all instances the search must be undertaken in good faith—a safeguard against abuse of the orphan works exception.⁸⁹ Similarly, users availing themselves of the orphan works exception must provide attribution to the author or copyright owner, if such attribution is feasible and appropriate.⁹⁰ This requirement is intended to provide notice to the copyright owner that the work is in use and to facilitate a licensing transaction in the future, should the owner later come forward.⁹¹

If a reasonably diligent search has been completed and the user provides reasonable attribution, then the user would enjoy two forms of limited liability: (i) a limitation of monetary damages to “reasonable compensation for the use, with an elimination of any monetary relief where the use was noncommercial and the user ceases the infringement expeditiously upon notice”; and (ii) restriction of the copyright owner’s right to seek full injunctive relief in cases where “the user has

⁸³ *Id.*

⁸⁴ *Id.* at 98, 108.

⁸⁵ *Id.* at 96–97.

⁸⁶ *See id.* (“A user might rely on the search efforts of another user for the same work, but the test is whether it was reasonable under the circumstances for that second user to do so . . .”).

⁸⁷ *Id.* at 98 (“[T]he wide variety of works . . . [range] from an untitled photograph to an old magazine advertisement to an out-of-print novel to an antique postcard to an obsolete computer program.”).

⁸⁸ *Id.* at 98–108 (discussing factors that may be considered in determining whether a search is reasonably diligent).

⁸⁹ *Id.* at 98.

⁹⁰ *Id.* at 110–12.

⁹¹ *Id.*

transformed the orphan work into a derivative work . . . preserving the user's ability to continue to exploit that derivative work."⁹² A re-emerging copyright owner would not be entitled to seek statutory damages or attorneys' fees⁹³ for infringement of a work that was erroneously (but reasonably) thought orphaned.⁹⁴ Rather, he would be entitled to "reasonable compensation" equal to the amount the user would have paid the owner to license the work prior to the infringing use (i.e., the ex ante value of the license).⁹⁵ The burden would be on the copyright owner to prove that the work at issue had fair market value, based upon evidence of comparable marketplace transactions.⁹⁶ However, since many works do not have discernable market value, the amount of reasonable compensation owed might be very low or even zero,⁹⁷ particularly when a use is noncommercial in nature.⁹⁸ The Copyright Office offers an illustrative example:

[Suppose] [a] university would like to republish an article from an encyclopedia, and it has received permission (royalty-free) from the publisher, but the photographs contained in the article are owned separately by individual photographers. Nineteen of the twenty photographs have identifiable owners, all of whom grant a royalty-free license when contacted by the university. The twentieth photograph is similar to the other nineteen in type, quality and subject matter, but is an orphan work If the owner surfaces after publication . . . the university has a good case that "reasonable compensation" in that situation is zero, given the other royalty-free licenses Furthermore, to the extent some of the other photographs were licensed for payment, the university has some

⁹² *Id.* at 115. Section 104A(d)(3) of the Copyright Act provides guidance on how "reasonable compensation" should be determined in a situation roughly analogous to an orphan work, that of a derivative work based on a foreign work that was previously in the public domain. *See* 17 U.S.C. § 104A(d)(3) (2012). Under this section, reasonable harm is determined by looking at the harm to the actual or potential market value of the copyright work, as well as the respective contributions of the copyright owner and the derivative work's creator to the resulting derivative work. *See id.*

⁹³ *See* 17 U.S.C. §§ 504, 505 (providing courts with discretion to award up to \$150,000 in statutory damages per work infringed, as well as attorneys' fees and costs to the prevailing party).

⁹⁴ *See* REPORT ON ORPHAN WORKS, *supra* note 1, at 115.

⁹⁵ *Id.* at 116; *see, e.g.,* *On Davis v. Gap, Inc.*, 246 F.3d 152, 164 (2d Cir. 2001) (applying a reasonable compensation test in circumstances very similar to an orphan work situation).

⁹⁶ REPORT ON ORPHAN WORKS, *supra* note 1, at 116; *see also* *Davis*, 246 F.3d at 161 (looking at actual, similar transactions the copyright owner had conducted—e.g., a license for a cover on a magazine for \$50—to conclude that a reasonable license fee would be in the range of \$50).

⁹⁷ REPORT ON ORPHAN WORKS, *supra* note 1, at 117–18.

⁹⁸ As the Copyright Office noted, the language used to define commercial use, "direct or indirect commercial advantage," is prevalent in the Copyright Act. *Id.* at 119 & n.384 (citing 17 U.S.C. §§ 108(a)(1), 109(b), 110(4), 506).

certainty about the range of license fees it might have to pay for use of the orphan work.⁹⁹

Noncommercial users engaged in noncommercial activities could also elect to remove the unauthorized work in lieu of paying the copyright owner compensation.¹⁰⁰ Finally, if the orphan work were incorporated into a derivative work that contained substantial original expression provided by the user, then injunctive relief would not be available if the user paid the owner reasonable compensation.¹⁰¹ However, full injunctive relief would still be available where a derivative work is not created—i.e., in instances where the user merely republishes the orphan work, or posts it on the Internet without transformation of the content.¹⁰²

In 2006, and then again in 2008, Congress considered legislation based on the Orphan Works Report's recommendations.¹⁰³ Though Congress came very close to adopting a bill in 2008, orphan works legislation was tabled at the end of the session.¹⁰⁴ Similar legislation has not been proposed since.

B. *The Limited Remedies Approach Provides an Incomplete Cure*

The great virtue of the limited remedies approach is its flexibility. As the Copyright Office, the Library of Congress, and others have acknowledged, the effort required to search for the owner of an alleged orphan work can vary widely.¹⁰⁵ Under the case-by-case system proposed by the Copyright Office, the question of whether a search was reasonably diligent under the circumstances would be judged *ex post*, as opposed to a more formal system where the search criteria would be set *ex ante*.¹⁰⁶ This approach allows for variation of the criteria depending on the particular circumstances of the search. For example, ascertaining the rights status of a motion picture with intact production company

⁹⁹ REPORT ON ORPHAN WORKS, *supra* note 1, at 118.

¹⁰⁰ *Id.* at 118; *see also* Notice: Mass Digitization, *supra* note 18, at 64556.

¹⁰¹ REPORT ON ORPHAN WORKS, *supra* note 1, at 120.

¹⁰² *Id.* *But see* Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007); LIBRARY COPYRIGHT ALLIANCE, *supra* note 29, at 2 (citing A.V. *ex rel.* Vanderhye v. iParadigms, L.L.C., 562 F.3d 630, 639 (4th Cir. 2009)).

¹⁰³ Orphan Works Act of 2008, H.R. 5889, 110th Cong. (2008); Orphan Works Act of 2006, H.R. 5439, 109th Cong. (2006); Notice: Mass Digitization, *supra* note 18, at 64556 & n.8 (citing Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (as passed by Senate Sept. 26, 2008)).

¹⁰⁴ Notice: Mass Digitization, *supra* note 18, at 64556.

¹⁰⁵ *See, e.g.*, LIBRARY OF CONGRESS, *supra* note 4, at 7; REPORT ON ORPHAN WORKS, *supra* note 1 at 21–27.

¹⁰⁶ REPORT ON ORPHAN WORKS, *supra* note 1, at 72–73, 77 n.254; *see also id.* at 98–109 (discussing factors that may be considered in determining whether a search is reasonably diligent).

credits would likely be easier than attempting to locate the owner of an unlabeled home movie reel or a still photograph lacking a caption or other source identifying information.¹⁰⁷ Moreover, as search technologies improve and best practices are established,¹⁰⁸ the reasonable diligence standard could be adjusted without the need for statutory redefinition. As such, a reasonable search standard could be applied across the entire spectrum of copyrightable subject matter without burdening the users of one particular medium more than another.¹⁰⁹

The Copyright Office's proposal also has the virtue of being relatively inexpensive to implement; unlike a licensing regime, there would be no need to establish and fund an organization to administer rights and collect fees.¹¹⁰ For many users, the cost of performing a reasonably diligent search would be less than the costs of licensing a work.¹¹¹ For large-scale users of orphan works even modest upfront licensing fees could be cost-prohibitive in the aggregate.¹¹² A limited remedies solution also avoids the danger of excessive administrative expenses and agency concerns that could result from the operation of an orphan works collecting society.¹¹³

However, there are also significant disadvantages to the limited remedies approach. First, the threat of incurring statutory damages and attorney's fees has a chilling effect on investments in creative projects that use orphan works,¹¹⁴ and merely placing limitations on such

¹⁰⁷ See, e.g., LIBRARY OF CONGRESS, *supra* note 4, at 9–10, 23–24 (case studies on orphan photographs and home movies).

¹⁰⁸ See, e.g., COMMENTS OF THE MOTION PICTURE ASSOCIATION OF AMERICA, INC., IN THE MATTER OF ORPHAN WORKS AND MASS DIGITIZATION 3–5 (Feb. 4, 2013), available at http://www.copyright.gov/orphan/comments/noi_10222012/Motion-Picture-Association-America-Inc.pdf [hereinafter MPAA] (detailing various new databases and registries that could be used in an orphan works search).

¹⁰⁹ See REPORT ON ORPHAN WORKS, *supra* note 1, at 72, 77 (noting the argument that what constitutes a reasonable search will vary depending on the category of the work). *But see id.* at 71–78 (discussing objections to, and different formulations of, the reasonable search standard).

¹¹⁰ See *infra* Part III (discussing copyright licensing schemes).

¹¹¹ See, e.g., INT'L DOCUMENTARY ASS'N, *supra* note 7, at 10 (“[M]any independent and documentary films are on tight budgets . . . and [licensing] would likely be significantly more expensive than conducting a search.”). Users could, however, still be subject to litigation costs and payments of reasonable compensation should the owner of an orphan work later emerge, or to liability for infringement if their search was found to fall short of the standard.

¹¹² See, e.g., LIBRARY COPYRIGHT ALLIANCE, *supra* note 29 (“[A]ny legislative approach that involves licensing, such as extended collective licensing, is completely unacceptable to the library community. It would be enormously costly to users, and little if any of the fees collected would ever actually reach the copyright owners of the orphan works.”).

¹¹³ See *generally* Band, *supra* note 35. See also EFF, *supra* note 39, at 6 (“Despite the best intentions of any entity collecting on behalf of necessarily absent authors . . . or its employees and agents, any diversion of fees to fund its operations will reduce the incentive for the entity to perform its intended function of finding and remunerating the actual authors or rightsholders of the works.”).

¹¹⁴ See *supra* note 72.

liability may not bring about the intended thaw in creative activity. Limited money damages and injunctive immunities are likely to provide cold comfort to producers, financiers, and insurance companies who would still face substantial litigation costs in the event, however unlikely, that an orphan work's owner emerges. For example, on average, litigating a small copyright claim (for an amount in controversy of less than \$1 million) costs \$303,000 through the end of discovery and \$521,000 through trial.¹¹⁵ To limit exposure to these costs, many investors and insurers require clearance of all copyrighted material used in a new work as a contractual pre-condition to funding: "Better safe than sued."¹¹⁶ While a creator could always agree to indemnify financial backers against such risks, few are likely to have adequate resources to do so.¹¹⁷ Therefore, while the limited remedies approach may provide an adequate legal solution to the orphan works problem, it is unlikely to sufficiently address the business needs of the creative community.

Second, performing a reasonably diligent search for all alleged orphan works may not be possible in the case of large-scale projects that intend to utilize thousands, or even millions, of works.¹¹⁸ Even if it were practically feasible to clear such a large volume of material by searching for individual copyright owners, doing so would be cost-prohibitive to all but the most affluent users. As such, well-capitalized commercial users would enjoy significant—perhaps even insurmountable—competitive advantage over other market participants.¹¹⁹ This would, in effect, grant a *de facto* monopoly over the use of orphan works to a class of particular users,¹²⁰ undermining free competition and the Copyright Act's constitutional purpose of promoting "the progress of Science and useful Arts."¹²¹ This problem would be exacerbated by the fact that under the *ad hoc* approach subsequent users cannot rely upon another's determination that a work is orphan. Users attempting to "piggyback"

¹¹⁵ See AIPLA, *supra* note 24.

¹¹⁶ See Gibson, *supra* note 23, at 884; see also INT'L DOCUMENTARY ASS'N, *supra* note 7, at 3.

¹¹⁷ See INT'L DOCUMENTARY ASS'N, *supra* note 7, at 3.

¹¹⁸ See *Authors Guild v. Google Inc.*, 770 F. Supp. 2d 666, 670–71 (S.D.N.Y. 2011) (discussing Google Books which has scanned millions of books).

¹¹⁹ See *id.* at 682 (holding that the Google Books Settlement would give Google a *de facto* monopoly over the use of "unclaimed works,"—i.e., orphan works).

¹²⁰ See *id.* (quoting Statement of Interest of the United States of America Regarding Proposed Class Settlement at 24, *Authors Guild*, 770 F. Supp. 2d 666 (No. 05 Civ. 8136 (DC))) ("This *de facto* exclusivity (at least as to orphan works) appears to create a dangerous probability that only Google would have the ability to market to libraries and other institutions a comprehensive digital-book subscription. The seller of an incomplete database—i.e., one that does not include the millions of orphan works—cannot compete effectively with the seller of a comprehensive product.").

¹²¹ U.S. CONST. art. I, § 8, cl. 8; see also Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1107 (1990) ("The copyright is not an inevitable, divine, or natural right that confers on authors the absolute ownership of their creations. It is designed rather to stimulate activity and progress in the arts for the intellectual enrichment of the public.").

on another's search do so at their own peril;¹²² failing to conduct their own reasonably diligent search would subject users to the full range of copyright liabilities.¹²³ Therefore, in order to ensure that they remain within the proposed safe harbor, similarly situated users must engage in duplicative search efforts. This results in deadweight losses for orphan work users as a whole.¹²⁴

Third, and finally, an ad hoc approach to orphan works may result in a normative drift whereby orphan work users are compelled to adhere to escalating search protocols in order to qualify for statutory immunities. An analogy to fair use illustrates this potential side effect. When courts assess whether a particular use of a copyrighted work is fair, they must inquire into the "the effect of the use upon the potential market for or value of the copyrighted work."¹²⁵ Substantial weight is given to the existence of a licensing market for the use in question, and if a market exists then courts are less likely to view the use as fair.¹²⁶ This results in "doctrinal feedback" that has the effect of diminishing the scope of fair use,¹²⁷ as licenses are often obtained solely for the purposes of economic efficacy and do not reflect the merits of the underlying claim (i.e., whether the use was fair or foul).¹²⁸

Here, highly risk-averse or deep-pocketed users may attempt an exhaustive and expensive search for a lost owner. If the scope of these search efforts become generally known, subsequent users would be pressured to adopt the same level of thoroughness, regardless of their own risk appetite or the particular circumstances of their intended use. Since orphan work users face substantial risks if they fall short of the "reasonably diligent" standard, as more sophisticated and expensive search tools come to market¹²⁹ there is a strong likelihood of a norm arising where all users must adopt the latest technology in a resource-

¹²² See *supra* note 85 and corresponding text.

¹²³ See REPORT ON ORPHAN WORKS, *supra* note 1, at 96 (describing how the limited remedies for a copyright holder would only apply to a user who undertakes a reasonably diligent search).

¹²⁴ Cf. Wendy J. Gordon & Robert G. Bone, *Copyright*, in 2 ENCYCLOPEDIA OF LAW & ECONOMICS 189, 194–96 (B. Bouckaert & G. De Geest eds. 2000) (arguing the limited duration of copyright protection and fair use work to reduce deadweight loss and other costs); Ben Depoorter & Francesco Parisi, *Fair Use and Copyright Protection: A Price Theory Explanation*, 21 INT'L REV. L. & ECON. 453, 458–59 (2002) (arguing that even if copyright licenses could be transferred without cost, strategic behavior by copyright holders could still lead to deadweight losses). *But see* Stan J. Liebowitz, *The Myth of Copyright Inefficiency*, REGULATION, Spring 2009, at 28, 33–34 (arguing that increases in copyright unambiguously increase economic efficiency and that no deadweight losses occur).

¹²⁵ 17 U.S.C. § 107(4) (2012).

¹²⁶ See Gibson, *supra* note 23, at 895–96.

¹²⁷ See *id.* at 887–89.

¹²⁸ See *id.* at 884.

¹²⁹ See, e.g., MPAA, *supra* note 108, at 3–5 (detailing various new databases and registries that could be used in an orphan works search).

sapping race to the top.¹³⁰ This norm could, in turn, result in doctrinal feedback, leading to an ever-escalating diligence standard that would disadvantage poorer users. While well-financed users may have the resources to query multiple subscription databases as part of their due diligence, the cost of these services is likely to be prohibitive to private individuals and small enterprises. This, in effect, would erect a barrier to market entry for smaller players and create de facto cartels of affluent users.¹³¹ While courts might step in to discourage such behavior by establishing specific search criteria, doing so would undermine the flexible basis of the ad hoc system.

Therefore, in sum, the limited remedies solution is not by itself a wholly adequate solution to the orphan works problem. While an ad hoc approach provides needed flexibility to accommodate highly dissimilar forms of orphaned media, dealing with orphaned works on an individualized basis is not scalable or economically feasible for many users. It would also likely fail to meet the needs of the most socially advantageous uses of orphan works, such as digital libraries and mass digitization efforts. Moreover, while an ad hoc system is inexpensive from an administrative point of view, it can be excessively costly for users, and is likely to result in allocative inefficiencies on the whole. Finally, the lack of formal requirements may give rise to anticompetitive, rent-seeking behavior by large enterprises, which could re-forge the approach's statutory shield into a market sword.

III. THE COMPULSORY LICENSING SOLUTION

In light of the significant drawbacks of the ad hoc solution described above, an alternative method is needed to provide access to orphan works in instances where limited remedies alone are inadequate to meet the needs of users. Compulsory licensing provides such a mechanism.

¹³⁰ "Hindsight bias" would likely factor into such determinations as well. Cf. Gregory N. Mandel, *Patently Non-Obvious: Empirical Demonstration that the Hindsight Bias Renders Patent Decisions Irrational*, 67 OHIO ST. L.J. 1391, 1393 (2006) (arguing that hindsight bias influences courts' determination of non-obviousness in patent law).

¹³¹ Cf. *Authors Guild v. Google Inc.*, 770 F. Supp. 2d 666, 682 (S.D.N.Y. 2011) (holding that the Google Books Settlement would give Google a de facto monopoly over orphan works); William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 332–33, 349–59 (1989).

A. *The Viability of Compulsory Licensing*

There are four primary forms of licensing applicable to copyrighted works: (1) direct licensing; (2) voluntary collective licensing; (3) extended collective licensing; and (4) statutory licensing, also known as compulsory licensing.¹³²

Direct licensing occurs when a user negotiates directly with a copyright owner for rights to a work.¹³³ Direct licensing provides the maximum amount of flexibility as to the terms of the license for both owners and users, and allows the owners to exercise the full range of their exclusive rights granted under the Copyright Act.¹³⁴ For example, an owner may choose to license to user X on different terms and for a different amount than user Y, and the owner may choose to not license to user Z at all. However, negotiating a direct license is both time and cost-intensive, often prohibitively so. For this reason, alternative licensing schemes have been adopted to lower transaction costs for licensees and rights holders.¹³⁵

One alternative to direct licensing is voluntary collective licensing. Users seeking permission to use a copyrighted work under a voluntary collective license system do not negotiate with the work's owner directly, but rather obtain a nonexclusive license from an intermediary—a “collecting society” or “copyright collective”¹³⁶—in exchange for a pre-determined royalty payment.¹³⁷ The benefit of voluntary collective licensing, in comparison to direct licensing, is that each use of a work does not need to be negotiated separately, which dramatically reduces transaction costs.¹³⁸ Participation in a voluntary

¹³² See Notice: Mass Digitization, *supra* note 18.

¹³³ See generally RICHARD RAYSMAN ET AL., INTELLECTUAL PROPERTY LICENSING: FORMS AND ANALYSIS § 1.04[2] (2006) (discussing types of intellectual property licenses).

¹³⁴ See generally *id.* See also 17 U.S.C. § 106 (2012) (listing the rights of copyright holders).

¹³⁵ See, e.g., H.R. REP. NO. 94-1476, at 89 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5703 (noting that compulsory licensing reduces transaction costs in cable TV retransmission); see also Robert Stephen Lee, *An Economic Analysis of Compulsory Licensing in Copyright Law*, 5 W. NEW ENG. L. REV. 203, 217 (1982) (discussing the reduction in transaction costs from compulsory licensing).

¹³⁶ See PRELIMINARY ANALYSIS, *supra* note 28, at app. E (providing a sample list of collective licensing organizations).

¹³⁷ For instance, a collecting society may grant a “blanket license” that allows a licensee to use any work in a society's catalogue. See RAYSMAN ET AL., *supra* note 133, § 8.07[1] (discussing blanket licenses); see also WORLD INTELLECTUAL PROP. ORG. ET AL., COLLECTIVE MANAGEMENT IN REPROGRAPHY 15–20 (Apr. 2005), available at http://www.wipo.int/freepublications/en/copyright/924/wipo_pub_924.pdf.

¹³⁸ See FRED VON LOHMANN, ELEC. FRONTIER FOUND., A BETTER WAY FORWARD: VOLUNTARY COLLECTIVE LICENSING OF MUSIC FILE SHARING (Apr. 30, 2008), available at <https://www EFF.ORG/files/eff-a-better-way-forward.pdf>. But see Ivan Reidel, *The Taylor Swift Paradox: Superstardom, Excessive Advertising and Blanket Licenses*, 7 N.Y.U. J.L. & BUS. 731, 759–65, 796–97 (2011) (arguing that blanket licenses offered by ASCAP and BMI reduce air-

collective licensing system is not legally mandated, and copyright owners must affirmatively join a collecting society in order for licenses to be granted and royalties collected on their behalf.¹³⁹ There are a number of voluntary collective licensing systems currently in operation in the United States. For example, the public performance rights for musical compositions¹⁴⁰ are administered by so-called performance rights organizations (primarily ASCAP, BMI, and SESAC),¹⁴¹ and licenses to photocopy books are managed by the Copyright Clearance Center.¹⁴²

Another alternative form is extended collective licensing, a hybrid of voluntary collective licensing and compulsory licensing. Extended collective licensing is currently used in some Northern European countries,¹⁴³ though not in the United States. Extended collective licenses are negotiated in a manner similar to class action settlements.¹⁴⁴ Representatives of the affected class of copyright owners and the class of potential users negotiate licensing terms and applicable rates, and these terms are legally binding on all members of the group, though owners may choose to opt out.¹⁴⁵ The government or a trustee administers royalty payments and monitors uses.¹⁴⁶ The main difference between voluntary and extended collective licensing is the burden placed on individual copyright owners to opt-in or opt-out of the respective systems, and the competitive effects that negotiating on behalf of an entire classes of owners and users has on the market for copyright licenses.¹⁴⁷ Under voluntary licensing regimes, collecting societies may compete for members by offering better terms or royalty structures to owners.¹⁴⁸ Such market adjustments are generally unavailable under

time and revenue for lesser-known artists through supracompetitive cartel pricing that eliminates price competition between songwriters).

¹³⁹ See, e.g., *Repost – ASCAP, BMI & SESAC: What’s the Difference?*, SONGTRUST (Aug. 19, 2013), <http://blog.songtrust.com/songwriting-tips/pros-whats-the-difference>; see also Todd Brabec & Jeff Brabec, *Performing Rights Licensing in the United States: A World of Multiple Choices, Considerations, and Results*, 30 ENT. & SPORTS LAW. 8, 8–11 (2012).

¹⁴⁰ See 17 U.S.C. § 106(4) (2012).

¹⁴¹ See RAYSMAN ET AL., *supra* note 133, § 8.07[1] (discussing performance rights societies).

¹⁴² See *About Us*, COPYRIGHT CLEARANCE CENTER, <http://www.copyright.com/content/cc3/en/toolbar/aboutUs.html> (last visited Nov. 15, 2013).

¹⁴³ See PRELIMINARY ANALYSIS, *supra* note 28, at app. F (listing the countries that have extended collective licensing regimes and providing an overview of their laws).

¹⁴⁴ See Notice: Mass Digitization, *supra* note 18. The proposed settlement agreement between the Authors Guild and Google is roughly analogous to an extended collective license. See generally *Authors Guild v. Google Inc.*, 770 F. Supp. 2d 666 (S.D.N.Y. 2011).

¹⁴⁵ See Notice: Mass Digitization, *supra* note 18.

¹⁴⁶ *Id.*

¹⁴⁷ See generally Thomas Riis & Jens Schovsbo, *Extended Collective Licenses and the Nordic Experience: It’s a Hybrid but Is It a Volvo or a Lemon?*, 33 COLUM. J.L. & ARTS 471 (2010) (discussing the efficacy of extended collective licensing regimes).

¹⁴⁸ See, e.g., *Repost – ASCAP, BMI & SESAC*, *supra* note 139. For music, membership in a collecting society is exclusive, e.g., a song cannot be listed simultaneously in different

extended collective licensing, as all copyright owners and users participate in a single collecting system and the only alternative is to opt out and negotiate with users directly.¹⁴⁹

Finally, under a compulsory licensing regime (also called statutory licensing) a user has the right to use copyrighted material without the owner's permission under specific circumstances, so long as the user pays a statutorily determined fee for the license.¹⁵⁰ Copyright owners are required by law to grant compulsory licenses and may not opt out.¹⁵¹ The Copyright Act provides for several different compulsory licenses: For the reproduction of non-dramatic musical compositions (so-called "mechanical rights"),¹⁵² public broadcasting,¹⁵³ retransmission by cable TV systems,¹⁵⁴ subscription audio transmission,¹⁵⁵ and non-subscription digital audio transmissions, such as Internet radio.¹⁵⁶ The Copyright Royalty Board sets compulsory licensing fees.¹⁵⁷ Generally, compulsory licenses provide the lowest transaction and search costs for users, and facilitate licensing in instances where direct licensing would not be cost-effective for licensors.¹⁵⁸ However, compulsory licensing also partially limits a copyright owner's exclusive rights.¹⁵⁹ Since copyright owners are obliged to license to anyone who complies with the statutory requirements, they may not disallow objectionable uses or users.¹⁶⁰ For

performance rights organizations' catalogues. See, e.g., *Join ASCAP FAQs*, ASCAP, http://www.ascap.com/about/join/ascap_faqs.aspx (last visited Nov. 15, 2013); see also RAYSMAN ET AL., *supra* note 133, § 8.07[1].

¹⁴⁹ See Paul L.C. Torremans, *Collective Management in the United Kingdom (and Ireland)*, in COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 251, 263–65 (Daniel Gervais ed., 2d ed. 2010).

¹⁵⁰ See Notice: Mass Digitization, *supra* note 18.

¹⁵¹ See Mihály Ficsor, *Collective Management of Copyright and Related Rights from the Viewpoint of International Norms and the Acquis Communautaire*, in COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS, *supra* note 149, at 43–44; see also Berne Convention for the Protection of Literary and Artistic Works arts. 11bis(2), 13(1), Sept. 9, 1886, as amended Sept. 28, 1979, S. TREATY DOC. No. 99-27 (1986) (providing the conditions under which member-states may establish compulsory licensing systems).

¹⁵² See 17 U.S.C. § 115 (2012). Note that the reproduction rights to non-dramatic musical compositions are separate from the reproduction and performance rights of a sound recording. See *id.* § 106 (enumerating the exclusive rights of different types of copyrightable works).

¹⁵³ See *id.* § 118.

¹⁵⁴ See *id.* § 111(c).

¹⁵⁵ See *id.* § 114(d)(2).

¹⁵⁶ See *id.* § 114(d)(1).

¹⁵⁷ See *id.* §§ 801–805.

¹⁵⁸ See, e.g., Midge M. Hyman, Note, *The Socialization of Copyright: The Increased Use of Compulsory Licenses*, 4 CARDOZO ARTS & ENT. L.J. 105, 111 (1985) (arguing that the primary purpose of compulsory licenses is the elimination of transaction costs). See generally Lee, *supra* note 135.

¹⁵⁹ See 17 U.S.C. § 115 (subjecting the right to make and distribute phonorecords to the limitations of a compulsory licensing regime).

¹⁶⁰ See, e.g., Darlene A. Cote, Note, *Chipping Away at the Copyright Owner's Rights: Congress' Continued Reliance on the Compulsory License*, 2 J. INTEL. PROP. L. 219, 221 (1994)

this reason, among others, the Copyright Office generally views statutory licenses as a “mechanism of last resort.”¹⁶¹

In the case of orphan works, the “last resort” solution is required, as none of the other licensing forms are workable. Since the copyright owner of an orphan work is by definition unknown, negotiating a direct license is impossible. Neither is voluntary collective licensing, which require copyright owners to affirmatively join a collecting society. Similarly, extended collective licensing is not a viable option, as it would be impossible to adequately represent the interests of all orphan work owners as a single class. Given the wide variety of orphan works that exist, and the range of circumstances that give rise to a work becoming orphaned, the only common characteristic shared by all orphan work owners is that they are not currently known.¹⁶² Further, there is no one available to stand as a representative of the class of unknown owners, since knowledge of a representative owner’s identity would automatically disqualify her from class membership. Though it is conceivable that a proxy representative might attempt to represent the interest of lost owners, such an approach has previously failed under similar circumstances.¹⁶³ Thus, compulsory licensing remains the only viable alternative; since lost owners cannot negotiate on their own behalf, Congress must do it for them.

B. *The Benefits of Supplementing the Limited Remedies Solution with a Compulsory Licensing Option*

As the Copyright Office has noted, compulsory-licensing statutes may be adopted in order to “address a specific failure in a specifically defined market.”¹⁶⁴ Again, the limited remedies solution provides a workable half-measure to creating a market in orphan works, but for the reasons discussed in Part II, this solution does not provide an economically viable means of utilizing orphan works on a mass scale. Compulsory licensing solves this problem. In addition to providing a

(arguing that compulsory licenses “remove[] a great deal of the copyright owners’ control over the use of their materials”).

¹⁶¹ Notice: Mass Digitization, *supra* note 18 (“The Office has traditionally viewed statutory licenses as a mechanism of last resort that must be narrowly tailored to address a specific failure in a specifically defined market.”).

¹⁶² Extended collective licensing is roughly analogous to a form of class action settlement, and under U.S. legal doctrine individuals must have suffered a common injury in order to qualify as a class. *See* 28 U.S.C. § 1332(d) (2012); FED. R. CIV. P. 23.

¹⁶³ *See* Authors Guild v. Google Inc., 770 F. Supp. 2d 666, 677 (S.D.N.Y. 2011) (“The questions of who should be entrusted with guardianship over orphan books, under what terms, and with what safeguards are matters more appropriately decided by Congress than through an agreement among private, self-interested parties.”).

¹⁶⁴ Notice: Mass Digitization, *supra* note 18.

secondary route to exploiting orphan works—users may elect either the route of limited remedies or compulsory licensing—the licensing solution provides several additional advantages.

First, compulsory licenses have low or no transaction costs.¹⁶⁵ The fee that a user pays in exchange for a statutory license is equivalent to the contract price of the use, as negotiation is not required.¹⁶⁶ This feature is particularly advantageous for mass digitization projects, where even minimal transaction costs can become prohibitively expensive in the aggregate. As such, compulsory licenses are scalable in a way that would be unworkable under the ad hoc approach. Requiring users to attempt to locate individual owners imposes significant administrative and search costs that would limit the types of users who can undertake such expensive projects.¹⁶⁷ For instance, a corporation with inexpensive access to capital might be able to stomach the costs of hunting for thousands of lost owners, but it is highly unlikely that a less affluent competitor or a non-profit could.

A compulsory licensing regime would also provide greater certainty and less risk for investors funding new creative projects. Creating a mechanism for users to acquire a positive entitlement (a non-exclusive license) to a particular work would be a substantially greater comfort to risk-averse investors and insurers than merely providing them with a strong affirmative defense.¹⁶⁸ This, in turn, would likely lead to more investment in new creative endeavors based on orphan works, and would aid artists in obtaining any clearances required by insurance or financing contracts.

Finally, in the event that a lost owner does come forward, it would be less costly for her to collect royalty payments from licensees than damages from infringers. The costs of copyright litigation are substantial, often prohibitively so.¹⁶⁹ Under the limited remedies approach the owner would be entitled only to receive “reasonable compensation”—but not statutory damages or attorney’s fees¹⁷⁰—if the

¹⁶⁵ See Posner, *supra* note 19, at 328 (arguing that transaction costs threaten the market ability to efficiently allocate intellectual property rights, and that compulsory licenses provide a means to eliminate transaction costs).

¹⁶⁶ See *id.* (“The fee that the licensee under a compulsory license must pay is not meant to defray the licensing costs, in whole or in part, but to compensate the copyright owner for the value of his property (more precisely, the value represented by the copyright). The fee thus is the equivalent of the contract price and is distinct from the transaction costs—the costs of making the contract—which are still . . . zero.”).

¹⁶⁷ See *supra* notes 125–31 and accompanying text.

¹⁶⁸ Cf. INT’L DOCUMENTARY ASS’N, *supra* note 7, at 3 (discussing how investors and insurers will shy away from a film containing orphan works due to the risks associated with an infringement action); Gibson, *supra* note 23.

¹⁶⁹ See AIPLA, *supra* note 24.

¹⁷⁰ Notice: Mass Digitization, *supra* note 18, at 64557. For the exact statutory language proposed by the Copyright Office see REPORT ON ORPHAN WORKS, *supra* note 1, at 127.

user/defendant proves she undertook a reasonably diligent search for the owner.¹⁷¹

Despite these benefits, many commentators are opposed to collective or compulsory licensing for orphan works, arguing among other things that: compulsory licensing would be unnecessarily costly and inefficient;¹⁷² that a flat license fee would inevitably be disproportionate to the value of the work, causing users to invariably overpay or underpay;¹⁷³ that few rights holders will resurface to collect royalties;¹⁷⁴ that fees paid to remunerate rights holders will be consumed in the administration of the collecting society;¹⁷⁵ and that compulsory licensing will undermine fair use and other statutory exceptions to copyright,¹⁷⁶ reducing public access to works.¹⁷⁷ These criticisms fall into two broad categories: (1) concerns about economic efficiency and equity; and (2) concerns about the effects that such a licensing system would have on public access to copyrighted works and on the statutory rights of copyright owners. These categories will be addressed in turn below.

Economic arguments against compulsory licensing for orphan works often posit that the costs to users would not be comparable to the value of the work. For example:

[A] flat license fee will rarely be commensurate with the value of the work, which depends on many factors including the way the work is used, how much of it is used, and the extent to which it is integrated into a new work; users will inevitably be forced to underpay or overpay.¹⁷⁸

While it is indisputable that even the most finely-grained licensing regime will fail to precisely reflect the unique value of particular works,

¹⁷¹ See REPORT ON ORPHAN WORKS, *supra* note 1, at 115. The burden would be on the defendant to prove it engaged in a reasonably diligent search. See *id.* at 96.

¹⁷² See, e.g., LIBRARY COPYRIGHT ALLIANCE, *supra* note 29 (“[A]ny legislative approach that involves licensing, such as extended collective licensing, is completely unacceptable to the library community. It would be enormously costly to users, and little if any of the fees collected would ever actually reach the copyright owners of the orphan works.”).

¹⁷³ See INT’L DOCUMENTARY ASS’N, *supra* note 7, at 10.

¹⁷⁴ See REPORT ON ORPHAN WORKS, *supra* note 1, at 11 (“[I]n the vast majority of cases, no copyright owner would resurface to claim the funds, which means the system would not in most cases actually facilitate payments between owners and users of orphan works.”).

¹⁷⁵ See EFF, *supra* note 39, at 6.

¹⁷⁶ See Gibson, *supra* note 23, at 884–85 (arguing that acquiring a license where none is needed is problematic because the existence of licensing markets are “instrumental in determining the reach of copyright entitlements” and creates a “doctrinal feedback” because “licensing itself becomes the proof that the entitlement covers the use”); see also Urban, *supra* note 64, at 1411 (arguing that fair use has significant advantages over licensing regimes through a reduction in administrative and transactional costs, the elimination of socially wasteful licensing fees for works for which an owner is unlikely to exist).

¹⁷⁷ See, e.g., Band, *supra* note 35.

¹⁷⁸ INT’L DOCUMENTARY ASS’N, *supra* note 7, at 10.

there is no reason why a statutory license could not set a price that is within a reasonable *range* compared to licenses for similar works.¹⁷⁹ Most copyright licenses are negotiated based upon industry precedent, often beginning from a statutory baseline rate.¹⁸⁰ Given that the owner of an orphan work is unknown, his bargaining power may be safely assumed to be slight, notwithstanding the faint glimmer that a work in question is the long-lost product of some famous artist. As such, standard industry minimum rates for licensing particular types of work ought to be considered reasonable for an orphan work of that type. Furthermore, this rate could be adjusted up or down by the Copyright Royalty Board¹⁸¹ as technology changes, new media forms and distribution channels emerge, and copyright industry practices evolve generally. Periodic adjustment to the statutory rates would also account for the fact that many uses of orphan works will be novel and lack an established industry norm or market comparable. In such instances, it may be appropriate to allow the orphan work's owner some form of profit participation, should the royalty specified in the promissory note prove grossly inadequate in the future. And if a user felt that the cost of licensing a particular work under the compulsory licensing statute was prohibitively expensive, she could always avail herself of the limited remedies approach, as the two systems are meant to be complementary.

Similarly, critics of statutory licensing have argued that requiring licensees to pay fees that would be held in escrow for orphan work owners is "highly inefficient" because "in the vast majority of cases, no copyright owner would resurface . . . [and] the system would not in most cases actually facilitate payments between owners and users of orphan works."¹⁸² However, as discussed in Part II above, the limited remedies approach is itself subject to this same criticism vis-à-vis efficiency. While the cost of performing a reasonably diligent search on a single orphan work may be less costly than a statutory license, search costs quickly become prohibitively expensive for large-scale projects. Moreover, putting aside the question of comparative inefficiencies between the two proposed systems, the claim that compulsory licensing is a "highly inefficient" mechanism to compensate orphan work owners is only potentially true if users of orphan works are obliged to make upfront payments at the time the license is granted.¹⁸³ If, on the other

¹⁷⁹ See generally LITWAK, *supra* note 34; Medow & Kress, *supra* note 34.

¹⁸⁰ Such as the rate for mechanical rights provided by 17 U.S.C. § 115 (2012).

¹⁸¹ See 17 U.S.C. §§ 801–805.

¹⁸² REPORT ON ORPHAN WORKS, *supra* note 1, at 11; see also Band, *supra* note 35 (arguing that collecting societies have a poor track record with respect to high administrative costs and a lack of transparency, and that they fail to equitably distribute funds to copyright owners).

¹⁸³ Cf. JEREMY DE BEER & MARIO BOUCHARD, CANADA'S "ORPHAN WORKS" REGIME: UNLOCATABLE COPYRIGHT OWNERS AND THE COPYRIGHT BOARD 26 (Dec. 1, 2009), available

hand, licenses were obtainable through a contractual *promise* to pay, if and when a rights holder appears, then the economics shift dramatically.

As described in greater detail below,¹⁸⁴ under the proposed system a user would not be required to make royalty payments into an escrow fund prior to use, but rather would contractually agree to pay a royalty fee only after an owner asserts her interests in the licensed work. Under this structure, a licensee would write the copyright owner a promissory note¹⁸⁵ in exchange for a non-exclusive license to the work, and this note would be held in bailment by a collecting society. The royalty promised in this note would be a rate reasonably determined based upon the intended use (e.g., commercial vs. noncommercial use), the type of user licensing the work (e.g., a for-profit vs. a non-profit entity), and would account for comparable market rates at the time the license was granted. The term of the note would be based on when the copyright is reasonably expected to expire and the work enter the public domain.¹⁸⁶ The user would pay a separate administrative fee to the collecting society—similar to the registration and recordation fees paid to the Copyright Office¹⁸⁷—for executing the license, searching for copyright holders, and maintaining a database of licensed uses, among other functions. By separating the monies owed to the copyright holder from the fees collected by the society, this system would mitigate the potential for principal/agent problems between the collecting society and unknown owners.¹⁸⁸ Likewise, it would prevent the collecting society from misusing monies owed to the rights holder, since these funds have merely been pledged, not paid, at the time of licensure.

Apart from economic concerns, a second group of commentators have raised concerns that collective or compulsory licensing of orphan

at <http://www.cb-cda.gc.ca/about-apropos/2010-11-19-newstudy.pdf> (finding that holding funds in escrow for unknown copyright owners was impracticable).

¹⁸⁴ See *infra* Part IV.

¹⁸⁵ See *supra* note 32.

¹⁸⁶ Based on the length of the copyright term these promissory notes are likely to be extremely long-dated. See 17 U.S.C. § 302. As a result, there is a risk that if an orphan work's owner comes forward in the future and attempts to exercise his contractual rights, the promisor, or her successors-in-interest, will not be locatable either. While this creates a real possibility of harm to the owners of orphan works, in all likelihood this harm is unavoidable under any statutory scheme. Furthermore, this harm ought to be considered a reasonable trade-off, given the demonstrable public benefits that would result from increased orphan works use. See, e.g., *supra* notes 5–10.

¹⁸⁷ See *Fees*, U.S. COPYRIGHT OFFICE, <http://www.copyright.gov/docs/fees.html> (last updated Apr. 1, 2013).

¹⁸⁸ See, e.g., *Resnick v. Copyright Clearance Ctr., Inc.*, 422 F. Supp. 2d 252, 260 (D. Mass. 2006) (nonmember-photographers alleged that defendant society implied that users could reproduce their photographs for free); see also Glenn Peoples, *Accounts Viewable: Music Publishing Moves Towards Greater Transparency and Accountability*, BILLBOARD, Jan. 28, 2012, at 21 (collecting society members complain of lengthy payment delays).

works would detrimentally affect the copyright system as a whole.¹⁸⁹ For example, some argue that licensing norms exert pressure on courts to limit the scope of fair use,¹⁹⁰ and that this pressure can give rise to a system whereby fair use is displaced by “fared” use.¹⁹¹ But in the context of orphan works these concerns are largely unfounded. While a full analysis of the effects of licensing on fair use doctrine is beyond the scope of this Article,¹⁹² in many (if not most) instances copyright owners only encroach on fair use when they attempt to enforce putative rights that are beyond the scope of their statutory entitlements, or that they do not actually possess.¹⁹³ While in theory a collecting society (acting as proxy for rights holders) could attempt to force licenses on fair users of orphan works,¹⁹⁴ under the proposed compulsory licensing structure it would have little financial incentive to do so; the marginal utility of additional administrative fees would be unlikely to offset the substantial legal costs of waging an aggressive campaign to force fair users to license.

While the specter of infringement liability haunts all orphan works, the mere presence of a licensing option does not create an additional disincentive to fair use. Often, the decision of whether to rely upon fair use is a question of economic expediency rather than doctrinal

¹⁸⁹ See EFF, *supra* note 39, at 6; see also Urban, *supra* note 64 (arguing that fair use has significant advantages over licensing regimes, such as through the reduction of administrative and transactional costs, and the elimination of socially wasteful licensing fees for works for which an owner is unlikely to exist).

¹⁹⁰ See Gibson, *supra* note 23, at 884–85.

¹⁹¹ Compare Tom W. Bell, *Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine*, 76 N.C. L. REV. 557 (1998) (arguing that allowing copyright owners and consumers to freely contract under a fared use system in time may be more beneficial to society than requiring new technologies to adopt to traditional fair use doctrine), with Wendy J. Gordon & Daniel Bahls, *The Public's Right to Fair Use: Amending Section 107 to Avoid the "Fared Use" Fallacy*, 3 UTAH L. REV. 619, 620 (2007) (arguing that foreclosing fair use in favor of a licensing market is a “dangerous direction for copyright law”).

¹⁹² For a sampling of the literature on fair use, see generally Julie E. Cohen, *The Place of the User in Copyright Law*, 74 FORDHAM L. REV. 347 (2005); Ben Depoorter, *Technology and Uncertainty: The Shaping Effect on Copyright Law*, 157 U. PA. L. REV. 1831 (2009); Yuval Feldman & Janice Nadler, *The Law and Norms of File Sharing*, 43 SAN DIEGO L. REV. 577 (2006); Jane C. Ginsburg, *How Copyright Got a Bad Name for Itself*, 26 COLUM. J.L. & ARTS 61 (2002); Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600 (1982); Leval, *supra* note 121; Molly Shaffer Van Houweling, *Distributive Values in Copyright*, 83 TEXAS L. REV. 1535 (2005).

¹⁹³ See, e.g., Ben Depoorter & Robert Kirk Walker, *Copyright False Positives*, 89 NOTRE DAME L. REV. 319, 337 (2013) (arguing that copyright enforcement that is the result of “false positives” leads to unnecessary licensing that has the effect of eroding fair use); Jason Mazzone, *Copyfraud*, 81 N.Y.U. L. REV. 1026, 1029 (2006) (arguing that copyright law creates strong incentives for fraudulent claims).

¹⁹⁴ See EFF, *supra* note 39, at 6 (“[A] beneficiary with no tie to the actual author or rightsholder would likely have only a financial interest in the exploitation of the work, and thus would seek to optimize revenues alone, often at a cost to broader access and distribution of the works.”).

uncertainty.¹⁹⁵ For example, users may seek a license for an obvious fair use in order to fulfill a precondition to receiving project financing.¹⁹⁶ Compulsory licensing would provide such assurances. And for users who wish to avail themselves of the fair use exception, they could choose the “reasonably diligent search” route, rather than licensing. Either way, the contours of what constitutes permissible fair use are not altered by the addition of an orphan work statutory license that segregates royalties from administrative fees. Rather than hindering fair use and innovation, compulsory licensing would enhance public access to orphan works,¹⁹⁷ whereas orphan works that are “lost in the bowels of a few great libraries,” provide value to no one.¹⁹⁸

IV. DESIGNING AN ORPHAN WORKS COMPULSORY LICENSE

A compulsory licensing system for orphan works needs to achieve, inter alia, the following policy goals:

- (1) Minimized search costs for users;
- (2) Minimized transaction and administrative costs for users and collecting societies;
- (3) Decreased risk-aversion for investors and insurers;
- (4) Scalability to allow for the use of orphan works in large-scale projects at reasonable costs;
- (5) Flexibility to accommodate different types of users (e.g., for-profit vs. non-profit entities) and different intended uses (e.g., commercial vs. noncommercial projects).¹⁹⁹

In pursuit of these goals, there are a number of foreign orphan works statutes that can be used as instructive models.

¹⁹⁵ See, e.g., Depoorter & Walker, *supra* note 193, at 352 (arguing that economic considerations often trump legal entitlements in determining whether or not to license a particular work).

¹⁹⁶ See Peter S. Menell & Ben Depoorter, *Copyright Fee Shifting: A Proposal to Promote Fair Use and Fair Licensing* 6–7 (UC Berkeley Public Law Research Paper No. 2159325, 2012), available at <http://ssrn.com/abstract=2159325> (noting that creators who use copyrighted works are “reluctant to rely on the fair use doctrine because of its inherent uncertainty” and these creators often have to leave out the copyrighted material if they are unable to obtain a license).

¹⁹⁷ For example, a mass digitization project that acquires compulsory licenses to thousands of previously unavailable orphan works would provide raw material for myriad new creative activities. See LIBRARY OF CONGRESS, *supra* note 4, at 4–5 (“[B]ook digitization projects enhance public access, enable access for people with visual disabilities, protect fragile materials, and save space.”).

¹⁹⁸ See Helft, *supra* note 71.

¹⁹⁹ These policy objectives are intended to address, in part, the criticisms discussed *supra* Part III, and are not exhaustive.

Orphan works laws currently exist in Canada,²⁰⁰ the United Kingdom,²⁰¹ and in some European and Asian countries.²⁰² Under the Canadian Copyright Act, prospective users may file an application with the Copyright Board of Canada to petition for the use of particular orphan works.²⁰³ If the applicant has made a reasonable effort to locate the rights holder and has been unsuccessful, the Board may approve the request and grant a conditional, nonexclusive license to use the work.²⁰⁴ In certain instances, the Copyright Board may conduct its own search for the work's owner in order to verify that the prospective user attempted to locate the rights holder.²⁰⁵ The work's owner, should he later appear, has five years from the end of the license term to collect payment from the collecting society.²⁰⁶ The Copyright Board sets terms and fees for the proposed use of the work at its discretion, and requires licensees to pay royalties immediately upon license issuance.²⁰⁷

Similarly, the Hungarian Intellectual Property Office has the right to grant licenses for the use of orphan works to applicants who have conducted a documented search for the work's owner and who pay a royalty.²⁰⁸ Separate licenses are granted for commercial and noncommercial uses.²⁰⁹ Non-profit users are allowed to defer payment of compensation until the owner of the work becomes known, but commercial users must deposit the specified royalty amount with the Intellectual Property Office before use commences.²¹⁰ Owners who later emerge may claim royalties until five years after the expiration of the license. Any unclaimed royalties are then transferred to a collecting society that manages works of the same type. If no collecting society exists, then the National Cultural Fund uses these funds for the purpose of "making cultural goods available."²¹¹ In addition to administering

²⁰⁰ See Copyright Act, R.S.C. 1985, c. C-42, § 77 (Can.); see also PRELIMINARY ANALYSIS, *supra* note 28.

²⁰¹ See PRELIMINARY ANALYSIS, *supra* note 28 (citing Copyright, Design and Patents Act 1988, c. 48, § 57 (U.K.)). The U.K. statute affects only a small subset of orphan works: Those for which it is reasonable to assume the copyright has already expired. *Id.* As to these works, the law provides that there is no infringement where the copyright owner cannot be found following a reasonably inquiry, and where it is reasonable to assume that the copyright has expired. *Id.*; see also Copyright and Related Rights Act 2000 (Act No. 28/2000) § 88 (Ir.).

²⁰² See PRELIMINARY ANALYSIS, *supra* note 28; see also Notice: Mass Digitization, *supra* note 18.

²⁰³ Copyright Act § 77 (Can.); see also PRELIMINARY ANALYSIS, *supra* note 28.

²⁰⁴ Copyright Act § 77 (Can.); see also PRELIMINARY ANALYSIS, *supra* note 28.

²⁰⁵ PRELIMINARY ANALYSIS, *supra* note 28.

²⁰⁶ *Id.* (citing Copyright Act § 77 (Can.)).

²⁰⁷ See *id.*; see also DE BEER & BOUCHARD, *supra* note 183.

²⁰⁸ See PRELIMINARY ANALYSIS, *supra* note 28 (citing 1999. évi LXXVI. törvény a szerzői jogról (Act No. LXXVI of 1999 on Copyright), art. 57/A (Hung.), available at http://www.artisjus.hu/_userfiles/hungarian_copyright_act.pdf).

²⁰⁹ PRELIMINARY ANALYSIS, *supra* note 28.

²¹⁰ *Id.*

²¹¹ *Id.* (quoting Act on Copyright, art. 57/A(5) (Hung.)).

licenses for orphan works, the Intellectual Property Office also maintains a publicly accessible database of what orphan works have been licensed, the type of license granted, and contact information of the licensed user.²¹²

Finally, in Japan compulsory licenses are available for orphan works.²¹³ To obtain such a license, the user must deposit compensation equal to the ordinary rate of royalty associated with such a work, and prove that she conducted an unsuccessful due diligence search for the work's owner.²¹⁴ Copies of works licensed under this provision must be affixed with a notification that they are orphan works,²¹⁵ and notice of the issuance of orphan work licenses is published in the Official Gazette—the Japanese equivalent of the Federal Register.²¹⁶

Drawing on these precedents, the following compulsory licensing system is proposed: Prospective users who have a good-faith reason to believe that a copyright owner is not locatable may seek a non-exclusive license from a collecting society specifically chartered to handle orphan work requests.²¹⁷ The prospective user would be required to register with the collecting society in a particular user-class (e.g., a publishing company), specify the type of license sought (e.g., the right to reprint an orphaned photograph in a book), and provide detailed contact information so that the user may be easily located if a lost owner should emerge.²¹⁸ The user would then deposit with the collecting society a promissory note specifying the fee to be paid to the copyright owner. This fee would be set from a schedule provided by the Copyright Royalty Board, based on industry standard fees at the time the license was granted.²¹⁹ This way, different licenses could be tailored to fit the medium of the work; e.g., the reproduction of still photographs could be licensed under different terms than the reproduction of an orphan film. The royalty fees would be adjusted depending on the intended use and user.²²⁰ The license could also provide for future royalty payments

²¹² *Id.*

²¹³ See PRELIMINARY ANALYSIS, *supra* note 28 (citing Chosakukenhō [Copyright Law], Law No. 48 of 1970, amended 2009, art. 67, para. 1 (Japan), available at <http://www.cric.or.jp/english/clj/cl2.html> (unofficial translation)).

²¹⁴ PRELIMINARY ANALYSIS, *supra* note 28 (citing Copyright Law art. 67, para. 1 (Japan)).

²¹⁵ *Id.* (citing Copyright Law art. 67, para. 3 (Japan)).

²¹⁶ *Id.* (citing Copyright Law art. 70, para. 6 (Japan)). However, interestingly, a license may not be issued if there is evidence that the author of the orphan work had the intention of discontinuing any exploitation of her work. *Id.* (citing Copyright Law art. 70, para. 4(i) (Japan)).

²¹⁷ *Cf.* Copyright Act, R.S.C. 1985, c. C-42, § 77 (Can.).

²¹⁸ This is similar to the database of orphan work users maintained by the Hungarian Intellectual Property Office. See PRELIMINARY ANALYSIS, *supra* note 28.

²¹⁹ See *supra* notes 95–99 for discussion of how “reasonable compensation” would be determined in the context of the limited remedies approach.

²²⁰ See PRELIMINARY ANALYSIS, *supra* note 28; see, e.g., 1999. évi LXXVI. törvény törve a szerzői jogról (Act No. LXXVI of 1999 on Copyright), art. 57/A(1) (Hung.).

(profit participation) to the orphan work's owner. This would address the equitable concern that the re-emerging owner would not share in the financial success of a derivative work based upon his orphan work. The term of the promissory note would be coextensive with the remaining term of the copyright.²²¹ Once the license has been granted and use has commenced, the user would be required to affix an orphan work notice to any reproductions or derivative works created.²²²

Importantly, the license should be *conditioned* upon future payment of the royalty fee and on strict adherence to the scope of the license granted. If these conditions are not met by the user or his successor-in-interest, then the user would not only be in breach of the license contract but the use itself would be unlicensed, subject to full slate of damages provided for in the Copyright Act.²²³

To obtain a license, the user would pay a separate administrative fee to the collecting society. This fee would cover the costs of executing the license, publishing online notice of licensure, searching for copyright holders,²²⁴ maintaining a database of licensed uses, etc.²²⁵ The administrative fee schedule should also provide for bulk licensing at a reduced rate in order to facilitate mass digitization and other large-scale projects.

This system would satisfy the enumerated policy goals in the following ways: First, by following a "good faith" standard, rather than the "reasonably diligent search" standard, prospective users search costs would be substantially reduced. Users could obtain a license based on a reasonable belief that a work is orphaned, rather than having to engage in an extensive (and possibly duplicative)²²⁶ investigation into the owner's whereabouts. This cost reduction would be highly beneficial to projects that seek to use large numbers of orphan works and for whom following the ad hoc approach would be prohibitively expensive. However, a sharp stick would accompany the carrot of this lower search standard: If the user failed to act in good faith, then he would be in breach of the conditions of his license contract and the use itself would

²²¹ Alternatively, if long-dated notes prove unworkable they could be dated based on the statute of limitations provided by the Copyright Act, *see* 17 U.S.C. § 507 (2012) (providing a three year statute of limitations for civil actions from the date the claim accrued), or based on case law concerning laches in infringement actions, *see, e.g.,* *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 950–51 (9th Cir. 2001) (discussing the applicability of the doctrine of laches to copyright law).

²²² *See* Chosakukenhō [Copyright Law], Law No. 48 of 1970, amended 2009, art. 67, para. 3 (Japan); PRELIMINARY ANALYSIS, *supra* note 28.

²²³ *See* sources cited *supra* note 33.

²²⁴ *See* PRELIMINARY ANALYSIS, *supra* note 28 (discussing that in certain instances, the Canadian Copyright Board will conduct its own search for the work's owner in order to verify the prospective user's search).

²²⁵ *See id.* (describing the orphan works registry maintained by the Hungarian Intellectual Property Office).

²²⁶ *See supra* notes 118–24 and accompanying text.

be unlicensed and subject to an infringement claim.²²⁷ As such, any bad faith abuse of the compulsory licensing mechanism could result in statutory damages and attorney's fees and costs, as the user-defendant would be neither within the safe harbor of the limited remedies approach, nor acting within the conditions of the compulsory license.²²⁸

Second, separating royalties owed to the copyright holder from fees collected by the society would mitigate the potential for agency problems between the collecting society and unknown owners,²²⁹ such as artificially increased overhead, failure to notify rights holders, or self-dealing.²³⁰ Rather, the collecting societies would have an incentive to operate efficiently, as the number of users they serve, rather than the amount of royalties they collect, would determine their financial health.

Third, by providing users with a license that clearly defines the terms of use as well as any potential future costs tied to an orphan work, compulsory licensing could allay the fears of risk-averse investors and insurers.²³¹ While it not possible under the proposed system to gain a license to the orphan work free and clear, the scope of a licensee's financial obligations would be known at the time the license is granted. As such, the financial risk of using orphan works in a creative project could be estimated on an actuarial basis and factored into the project's capital structure.

Fourth, because licensing fees are deferred and administrative fees are set by statute, a compulsory licensing regime is scalable. While the costs associated with conducting a search will necessarily vary depending on the circumstances surrounding the individual work in

²²⁷ See, e.g., *Jacobsen v. Katzer*, 535 F.3d 1373, 1380 (Fed. Cir. 2008) (noting that if terms of a limited license are violated a user of copyrighted work is subject to a copyright infringement action).

²²⁸ See *id.*

²²⁹ See generally Band, *supra* note 35. While a full discussion of the organizational design of an orphan works collecting society is beyond the scope of this Article, a few preliminary suggestions are offered: While orphan works licensing could be administered by a private organization, given that close collaboration would be required between the Copyright Office, the Copyright Royalty Board, and collecting society's administrators, a single, government-sponsored entity would likely be the most appropriate solution. Similarly, a single collecting society for all orphan works is desirable in order to minimize administrative costs. Though medium- and use-specific licensing is necessary, creating medium-specific collecting societies is likely to be cost-prohibitive. A government-sponsored collecting society could also draw on the resources and collections of the Library of Congress to perform independent searches for lost owners, and to harmonize its licensing database with the Library's catalogue. This enhanced database would also provide ancillary benefits to users wishing to avail themselves of the limited remedies approach by reducing search costs.

²³⁰ See sources cited *supra* notes 138 and 188.

²³¹ See INT'L DOCUMENTARY ASS'N, *supra* note 7, at 3.

question, the costs associated with securing a compulsory license would be predictable, standardized, and likely quite modest.²³²

Fifth, and finally, a compulsory license system could provide a menu of different license options for different types of use and users. By varying the terms of the license and the associated fee, the Copyright Royalty Board would have the ability to incentivize certain uses of orphan works (e.g., by providing royalty-free licenses), or to place limitations on other uses.²³³ Over time, this would permit subtle gradations in the way that orphan works are exploited by different classes of users, and would provide market levers to fuel or cool certain activities. In this way, compulsory licensing would provide a proactive means of promoting new creative expression using orphan works, whereas the ad hoc approach only provides a reactive remedy.

CONCLUSION

The cultural heritage of the United States is rotting away in “the bowels of a few great libraries,” providing value to no one.²³⁴ Over seventy-five percent of all American feature films made during the silent era no longer exist.²³⁵ Of all sound recordings published between 1890 and 1965 the vast majority exist only in obsolete formats, and rights holders currently make only fourteen percent commercially available.²³⁶ Hundreds of thousands of photographs, many of important historical events, lack basic information sufficient to establish their rights status.²³⁷

²³² Cf. Posner, *supra* note 19, at 328 (arguing that transaction costs threaten the market ability to efficiently allocate intellectual property rights, and that compulsory licenses provide a means to eliminate transaction costs).

²³³ For example, the Copyright Office might impose licensing restrictions similar to the statutory bars applied by the Patent and Trademark Office to trademark registrations, such as disallowing uses that are offensive or disparaging to particular groups. *See, e.g.*, 15 U.S.C. § 1052 (2012); *Pro-Football, Inc. v. Harjo*, 415 F.3d 44 (D.C. Cir. 2005) (considering whether the trademark registration of the Washington Redskins football team should be canceled for being disparaging to Native Americans). Similarly, license provisions could preclude uses that would violate state right of publicity laws. *See, e.g.*, CAL. CIV. CODE § 3344.1 (West 2013); N.Y. CIV. RIGHTS § 50 (McKinney 2013). However, the First Amendment would limit the extent of any such restrictions. There would likely be some uses of orphan works that would be possibly objectionable to their owners if/when they came forward, but that cannot be excluded from the statutory license on constitutional grounds. *See, e.g.*, Benkler, *supra* note 74; Alan E. Garfield, *The First Amendment As a Check on Copyright Rights*, 23 HASTINGS COMM. & ENT. L.J. 587 (2001); Lemley & Volokh, *supra* note 74. *But see* David McGowan, *Some Realism About the Free-Speech Critique of Copyright*, 74 FORDHAM L. REV. 435 (2005).

²³⁴ *See* Helft, *supra* note 71.

²³⁵ *See* LIBRARY OF CONGRESS, *supra* note 4, at 18.

²³⁶ *Id.* at 14.

²³⁷ *Id.* at 9.

Currently, the Library of Congress can only provide full-text access to newspapers published before 1922.²³⁸ The examples go on ad nauseum.

While the Copyright Office and Congress have made efforts to address this problem,²³⁹ the solutions proposed are insufficient to deal with the wide variety of potential uses for orphan works, and the even wider variety of works themselves. The ad hoc, limited remedies approach proposed by the Copyright Office will provide only a half-measure of the medicine needed. While it may be a drastic step (a “last resort”),²⁴⁰ a compulsory licensing option is nevertheless required if this cultural atrophy is to be stopped. A compulsory license for orphan works will minimize search, transaction, and administrative costs for users, increase the incentives for investment in orphan works projects, reduce the possibility of anticompetitive and opportunistic behavior by large market participants, and provide the necessary flexibility to bring major archival and restoration projects up to scale. While its use must be closely monitored to avoid side effects of waste and deterioration of fair use and the public domain, a statutory license is the right supplement to the Copyright Office’s prescription, and without some dose of it the copyright corpus will continue to waste away.

²³⁸ *Id.* at 17.

²³⁹ See Orphan Works Act of 2008, H.R. 5889, 110th Cong. (2008); Orphan Works Act of 2006, H.R. 5439, 109th Cong. (2006); Notice: Mass Digitization, *supra* note 18, at 64556 & n.8 (citing Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (as passed by Senate Sept. 26, 2008)).

²⁴⁰ Notice: Mass Digitization, *supra* note 18.