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PROMOTING THE USE OF ORPHAN WORKS: BALANCING THE INTERESTS OF COPYRIGHT OWNERS AND USERS

HEARING

BEFORE THE

SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

OF THE

COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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PROMOTING THE USE OF ORPHAN WORKS: BALANCING THE INTERESTS OF COPYRIGHT OWNERS AND USERS

THURSDAY, MARCH 13, 2008

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, THE INTERNET,
AND INTELLECTUAL PROPERTY,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:05 a.m., in room 2141, Rayburn House Office Building, the Honorable Howard Berman (Chairman of the Subcommittee) presiding.

Present: Representatives Berman, Jackson Lee, Johnson, and Lofgren.

Staff present: Shanna Winters, Subcommittee Chief Counsel; Eric Garduno, Majority Counsel; Christal Sheppard, Majority Counsel; and Rosalind Jackson, Majority Professional Staff Member.

Mr. BERMAN. This hearing of the Subcommittee on Courts, the Internet, and Intellectual Property will come to order.

I would like to begin by welcoming everyone to this hearing on promoting the use of Orphan Works, balancing the interests of copyright owners and users.

A strong copyright law encourages the creation of original works of authorship and dissemination of these works to the public. But if the copyright holder can't be found, valuable works, not only in the economic sense but historically and culturally as well, can't be exploited without a user being exposed to great legal jeopardy.

These works, then, are at significant risk of disappearing from the public consciousness before they can enter the public domain.

I think we should correct a misnomer. The works we are talking about are not orphans. In fact, the specific scenario we struggle with is how to address what happens when the parent reappears. The more accurate description of the situation is probably an unlocatable copyright owner.

This characterization better describes the Orphan Works construct, which is to correct the market failure when a potential user can't find the copyright owner. For the sake of ease, we will keep talking about it like they are orphans.

The second thing I would like to note is that the Orphan Works problem we are here to discuss is, in some part, of our own making. Copyright term extension coupled with our international obligation

to do away with formalities increased the likelihood that copyright owners would go missing.

We made registration with the Copyright Office optional, and we rescinded the condition that all published works carry a copyright notice leading to a diminished public record of ownership information.

Over the course of the last several years, there have been numerous attempts to address the challenges presented by Orphan Works. After receiving letters from the, then, Judiciary Subcommittee Chair and Ranking Members in both the House and the Senate about this issue, the Copyright Office undertook a comprehensive study in 2005 of the Orphan Works problem.

We would like to commend Marybeth Peters, the register of copyrights, for the excellent report that office produced.

After receiving hundreds of comments, the Copyright Office proposed a great foundation for approaching this issue, allowing for uses of Orphan Works while still protecting the copyright owner.

In the most basic terms, the proposal maintained that it would still constitute an infringement to use a work determined to be orphan, but the full panoply of damages available to the reemerging copyright owner would be limited.

Subject to a user completing a reasonably diligent search, if a copyright owner came forward after the use of the work, he would be limited to reasonable compensation and could not claim attorney's fees or statutory damages.

Furthermore, in some circumstances, the copyright owner may not be able to obtain an injunction if a significant amount of the user's original expression was included in the infringing derivative work.

Last Congress then-Chairman Lamar Smith convened a series of negotiations with the parties and introduced an Orphan Works Bill. Some changes were made to the original Copyright Office proposal, and that bill provided a good point for us to continue the discussion of this issue.

Since that time, additional issues have been raised, new solutions or proposals have been presented, and some of the old questions still remain.

For example, what are the appropriate parameters for a safe harbor? How much of the infringer's own expression should be required to prevent an injunction? Are additional steps necessary to discourage bad actors such as a heightened pleading requirement or filing a copy of the search before use? Can more definition or guidance be given to what constitutes a reasonable search?

I look forward to hearing the perspective of our witnesses on some of these issues.

A couple of additional points. While there is a tendency to believe that I am—never mind. [Laughter.]

There is a tendency to believe I am a lot of things——

While there is a tendency to believe that I am anti-technology, I actually think that technology can provide part of the solution to this problem.

If the state of technology is advanced to allow a user to search images of copyrighted works in addition to ownership information, then the foundation is set for a system to enable most works to be

masked with an owner. In such a case, technology would help facilitate marketplace negotiations, benefiting copyright owners, users, and the public.

In addition, regarding the problem of the ease of stripping identifying data of copyrighted works, technology may also provide a solution in this situation with the advancement and availability of digital fingerprinting, watermarking, or other technological measures.

Finally, I continue to struggle with the impact of an Orphan Works construct layered on top of the current registration system, especially as it pertains to visual arts.

If copyright owners go through the trouble of registering their works, but due to the nature of the database at the Copyright Office, their works can't be found by a user, they are denied full remedies which, in part, motivated them to register in the first place.

While I understand that a carve-out of registered works from Orphan Works treatment would not work, I fear that we may end up discouraging copyright owners of visual works from registering.

I appreciate all of you coming today, and our witnesses, for the time and effort they took to come here. And I know we have a lot of work to do to get this ready.

And I now would like to recognize our distinguished Ranking Member, Howard Coble, for his opening statement.

Mr. COBLE. Thank you, Mr. Chairman.

And I want the record to reflect that I do not believe our Chairman is anti-technology.

Good to have you all with us.

Mr. Chairman, thank you for agreeing to schedule this hearing on Orphan Works. It is a subject I am looking forward to today's testimony and hope the Subcommittee will be in a position to address it in more detail in the weeks and months ahead.

The Constitution provides that Congress has the right and the responsibility, as we all know, to "promote the progress of size and useful arts by securing for limited times to authorize and inventors the exclusive right to their respective writings and discoveries."

The founders made clear that the promotion and protection of what we now refer to as intellectual property is an essential responsibility of the legislative branch.

Their choice of language also makes clear that the means of providing exclusive protection to creators was not to be exercised perpetually, nor is it an end to itself, but that this means is intended to be used in a manner that furthers the broader public interest.

Many observers today, including several of our witnesses, are of the view that relatively recent changes to the law of copyright, when combined with other factors, have fostered situations that may tend to systematically discourage rather than encourage the advancement of broader societal interests.

The copyright laws work well when users can identify the owner of the work, negotiate with owners to secure rights to use the work, and license to use the work before engaging in any new use.

When users cannot identify the owner of the work they wish to use, the user is faced with a dilemma. The user can either use the work and run the risk of the owner later appearing and being awarded statutory damages in excessive amounts per infringement.

Or choose to not use the work and thereby eliminate any potential liability for copyright infringement.

In instances where the intended use is educational or culturally significant, there are those who believe that there is a compelling and broader public interest that would best be served by encouraging further use of the work subject to the remedy of reasonable compensation to the owner if the owner later comes forward.

After a lengthy study of the Orphan Works problems, the Copyright Office, in a 2006 report, recommended that Congress amend the law to provide for such a change. Shortly thereafter, as you previously mentioned, Mr. Chairman, Lamar Smith, the distinguished gentleman from Texas, introduced the Orphan Works Act of 2006 which built on the office's recommendation and improved upon them by incorporating a number of new safeguards and protections designed to protect copyright owners from abuse.

That legislation was favorably and unanimously reported to the full Judiciary Committee in May of 2006 but, unfortunately, was unable to advance to conclusion.

Mr. Chairman, I am encouraged that the Subcommittee is once again taking up this important issue. I hope in the time remaining this year, we will be able to make real progress in resolving the remaining issues.

To be successful, however, I think we will need to consider, among other questions, whether all types of copyrighted works should be included in the scope of any Orphan Works legislation and whether all or only certain classes of users should be able to benefit from any such regime.

Today, I am not certain of the answer, but I look forward to hearing from our witnesses about their thoughts on the Orphan Works problem as well as the effects of proposed solutions.

To the extent is that changes to the copyright law may have unintentionally and unnecessarily created impediments to the promotion of science and the useful arts, we have an obligation to correct this imbalance.

With that, Mr. Chairman, I yield back my time.

[The prepared statement of Mr. Coble follows:]

PREPARED STATEMENT OF THE HONORABLE HOWARD COBLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA, AND RANKING MEMBER, SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

Statement of the Honorable Howard Coble
Ranking Member, Subcommittee on Courts, the Internet and Intellectual Property, House Judiciary Committee
Oversight Hearing on "Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users"
March 13, 2008

Thank you, Mr. Chairman, for agreeing to schedule this oversight hearing on orphan works. This is a subject that I look forward to hearing the testimony on and hope the subcommittee will be in a position to address in more detail in the weeks and months ahead.

The Constitution provides that Congress has the right and the responsibility:

> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

The founders made clear that the promotion and protection of what we now refer to as intellectual property is an essential responsibility of the legislative branch.

Their choice of language also makes clear that the means of providing exclusive protection to creators was not to be exercised perpetually nor is it an end to itself but that this means is intended to be used in a manner that furthers the broader public interest.

Many observers today, including several of our witnesses, are of the view that relatively recent changes in the law of copyright, when combined with other factors, have fostered situations that may tend to systematically discourage rather than encourage the advancement of broader societal interests.

The copyright laws work well when users can:

1) identify the owner of the work;

2) negotiate with owners to secure rights to use the work; and

3) license the work before engaging in any new use.

When users cannot identify the owner of a work they wish to use, the user is faced with a dilemma. They can either:

1) use the work and run the risk of the owner later appearing and being awarded statutory damages of up to $150,000 per infringement;

or

2) choose to not use the work and thereby eliminate any potential liability for copyright infringement.

In instances where the intended use is educational or culturally significant, there are those who believe that there is a compelling and broader public interest that would best be served by encouraging further use of the work subject to

the remedy of reasonable compensation to the owner if they later come forward.

After a lengthy study of the orphan works problem, the Copyright Office, in a 2006 report, recommended that Congress amend the law to provide for just such a change.

Shortly thereafter, our Ranking Member and former subcommittee Chairman, Lamar Smith, introduced the "Orphan Works Act of 2006," which built on the Office's recommendations and improved upon them by incorporating a number of new safeguards and protections designed to protect copyright owners from abuse.

That legislation was favorably and unanimously reported to the full committee in May 2006 but, unfortunately, was not able to advance to conclusion.

Mr. Chairman, I am encouraged the subcommittee is once again taking up this important issue. I hope in the time we have remaining this year that we'll be able to make real progress in resolving the remaining issues.

To be successful though, I think we'll need to consider, among other questions, whether all types of copyrighted works should be included in the scope of any orphan works legislation and whether all or only certain classes of users should be able to benefit from any such regime.

Today, I am not yet certain of the answers. But I look forward to hearing from our witnesses about their thoughts on the orphan works problem as well as the effects of proposed solutions. To the extent that changes to the copyright law may have unintentionally and unnecessarily created impediments to the promotion of science and the useful arts, we have an obligation to correct this imbalance.

With that, Mr. Chairman, I yield the balance of my time.

Mr. BERMAN. Well, thank you much, Mr. Coble. I appreciate your vote of confidence.

The more accurate statement, really, is that technology is anti-me. [Laughter.]

Other Members wish to make opening statements?

Ranking Member of the full Committee, former Chairman of the Subcommittee, Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman, and also Ranking Member Coble, for two things. For having this hearing today, and also for mentioning our past and joint efforts to try to advance Orphan Works legislation.

I think I missed the Chairman's reference to the last couple of years, but it was referred to by Mr. Coble. I appreciate that.

As you all said, 2 years ago, this Subcommittee reported H.R. 5439, the Orphan Works Act of 2006 to the full Committee. That bill was introduced in response to recommendations from the Register of Copyrights, Marybeth Peters, who, of course, is a witness here today.

The register's recommendations were published in the January 2006 report on Orphan Works that followed a year-long study requested by me, then Ranking Member Berman, and two leading Members of the Senate Judiciary Committee.

In addition to including the Register's recommendations, that bill also contained a number of substantive proposals and reasonable accommodations requested by copyright owners and users. Notwithstanding the many hours of discussions and negotiations that preceded the introduction and Subcommittee referral of the 2006 bill, late arising concerns caused us to temporarily put the bill aside in favor of fostering a broader discussion of the issues.

Since that time, a number of stakeholders have stepped forward. Many have met repeatedly with representatives from the Copyright Office and Subcommittee staff. Others have conducted meetings among themselves for the purpose of identifying and proposing alternative solutions.

In some cases, I understand there has been progress. In other cases, I am informed the Copyright Office has had to wait weeks or months before receiving promised language or suggestions.

The Members of this Subcommittee have a history of openness and a demonstrated willingness to review any constructive proposal, but the good faith of the Members should not be used as a delaying tactic by those not interested in contributing to the resolution of matters before this Subcommittee.

The enactment of Orphan Works legislation is in the public interest. The elimination of formal registration requirements and the increased term of copyright protection have fostered a growing recognition that Orphan Works legislation is required to restore balance to the law of copyright.

Again, I want to thank the Chairman and the Ranking Member for all their behind-the-scenes efforts to try to move this legislation, which I hope will be successful this year.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF THE HONORABLE LAMAR SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS, RANKING MEMBER, COMMITTEE ON THE JUDICIARY, AND MEMBER, SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

Statement of Judiciary Committee
Ranking Member Lamar Smith
Courts, the Internet and Intellectual Property Subcommittee
Oversight Hearing-"Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users"
March 13, 2008

Thank you, Mr. Chairman and Ranking Member Coble, for scheduling this oversight hearing on the subject of orphan works.

Two years ago, this subcommittee reported favorably H.R. 5439, the "Orphan Works Act of 2006," to the full committee.

That bill was introduced in response to recommendations from the Register of Copyrights, Ms. Marybeth Peters, who is with us here today. It's good to see you again, Ms. Peters. It's good to see all our witnesses here today.

The Register's recommendations were published in the January 2006 "Report on Orphan Works," a report that followed a year-long study requested by myself, then-Ranking Member Berman and two leading members of the Senate Judiciary Committee.

In addition to being informed by the Register's recommendations, that bill also included a number of substantive proposals and reasonable accommodations requested by copyright owners and users.

Notwithstanding the many hours of discussions and negotiations that preceded the introduction and subcommittee referral of the 2006 bill, late-arising concerns caused us to temporarily put the bill aside in favor of fostering a broader discussion of the issues.

Since that time, a number of stakeholders have stepped forward. Many have met repeatedly with representatives from the Copyright Office and subcommittee staff. Others have conducted meetings between and amongst themselves for the ostensible purpose of identifying and proposing alternative solutions.

In some cases, I understand there has been considerable progress. In other cases, I'm informed the Office has waited weeks or months without receiving promised language or suggestions.

The Members of this subcommittee have a history of openness and a demonstrated willingness to review any constructive proposal.

But that transparency should not be misconstrued nor the good faith of the Members used as a delaying tactic by those not truly interested in contributing to the resolution of matters before the subcommittee.

The enactment of orphan works legislation is in the public interest. The elimination of formal registration requirements and the increased term of copyright protection have fostered a growing recognition that orphan works legislation is required to restore balance to the law of copyright.

In closing, I again thank the Chairman and Ranking Member of the subcommittee for scheduling this hearing today as well as their sustained behind-the-scenes efforts to advance this issue.

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Mr. BERMAN. Thank you, Mr. Smith.

Any other Members wish to make an opening statement?

All right. Then we will get to our witnesses.

I will introduce all of you, and then you can testify and try and keep it to 5 minutes and we will put our entire statements on the record.

Marybeth Peters has served as the United States Register of Copyrights since 1994.

Prior to 1994, she held the positions of policy planning advisor to the register, acting general counsel of the Copyright Office, and chief of both the examining and the information and reference divisions.

Ms. Peters is a frequent speaker of copyright issues, is the author of The General Guide to the Copyright Act of 1976, and has served as a lecturer at a number of law schools.

She received her undergraduate degree from Rhode Island College and her law degree from George Washington University.

Allan Adler is Vice President of the Legal and Governmental Affairs for the Association of American Publishers, the national trade organization that represents the book and journal publishing industries, and deals with intellectual property, freedom of speech, new technology, and other industry-related issues.

Prior to joining AAP, Mr. Adler practiced law at the firm of Cohn and Marks and was a legislative counsel to the American Civil Liberties Union.

Mr. Adler earned his undergraduate degree from the State University in New York at Birmingham and his law degree from George Washington University. That is the requirement for being on the panel. [Laughter.]

Corinne Kevorkian is President and General Manager of Schumacher, a division of F. Schumacher and Company. Ms. Kevorkian also served as senior vice president, general counsel, and secretary of the company.

Prior to joining Schumacher, Ms. Kevorkian was an associate at Chadbourne and Park and at Whitman and Ransom. Ms. Kevorkian received an undergraduate degree from Overland College and a law degree from Boston College.

Karen Coe is Associate Legal Counsel of the United States Holocaust Memorial Museum. There, she advises the museum management and program staff on all aspects of the museum's administration and operation including copyright transfer and licensing.

She also assists museum staff in acquiring intellectual property rights and responding to third-party requests for the same. Prior to joining the Holocaust Museum, she was an associate at Klimek, Kolodney and Casale. Ms. Coe holds an undergraduate degree from Smith College and a law degree from George Washington University.

Victor Perlman is the General Counsel to the American Society of Media Photographers. He has been an attorney for over 35 years and has also served on the boards of directors of the Media Photographers Copyright Agency, the Copyright Clearance Center, and the Philadelphia Volunteer Lawyers for the Arts.

He is the co-author of the book, "Licensing Photography."

Mr. Perlman received his undergraduate degree from Franklin and Marshall College and his law degree from the University of Pennsylvania.

Maya Gura is Director of Marketing and Sales for PicScout, a company that specializes in technology-enabled services for visual asset owners and users.

Prior to joining PicScout, Maya held various marketing and managerial positions with a business-to-business focus including Business Development at Mantis, one of the leading Israeli design houses. She also managed CRM projects for the global advertising agency, McCann Erickson, and she earned her undergraduate and MBA degrees from Ben-Gurion University.

As I mentioned, your statements will be part of the record. We will have the green light on which will switch to yellow and then red as your 5 minutes winds down and ends.

Ms. Peters, would you lead the panel with your testimony?

TESTIMONY OF MARYBETH PETERS, REGISTER OF COPYRIGHTS, U.S. COPYRIGHT OFFICE, WASHINGTON, DC

Ms. PETERS. Thank you. Chairman Berman, Mr. Coble, Mr. Smith, Members of the Subcommittee, I am pleased to appear before you to support Orphan Works legislation.

As Mr. Berman has said clearly, an orphan work is one whose copyright owner cannot be located. I used to call it unlocatable copyright owners, but it wasn't sexy enough.

Mr. BERMAN. Missing parents.

Ms. PETERS. In any case, you have set out the history of Orphan Works legislation including the report of the Register and the recommendation and what happened in the last Congress.

I am here to argue that the problem is still there and we need to do something about it.

The pervasiveness of the problem is striking. So many users, private citizens, historians, artists, book publishers, film makers, museums, archives, librarians—including those at the Library of Congress, are frustrated because their intended uses do not fall within an existing exemption of the copyright law and they cannot locate copyright owners.

Some uses are important on a personal level. We repeated heard about the case in which a private citizen is denied service by a photo finisher to reproduce or repair a photograph of her grandparents. While the private citizen may be making fair use, the commercial shop would be liable for infringement under current law.

Other examples are important on a broader level. If a documentary film maker cannot identify or locate the copyright owner of rare footage or images that are critical to his work, he cannot satisfy his insurance company, the television station, his distributor, or other business entities who demand proof of rights clearances.

The only option for the film maker other than to exclude the Orphan Works is to take on all the risk of exposure and liability and to fully indemnify the corporate partners including against an injunction that could kill the entire film. Not surprisingly, many choose to pull the material and the public is poorer for it.

In 2006, film maker June Cross testified that important materials, many of them jewels of our culture, are unavailable for use because ownership cannot be determined.

A good example of an orphan work is a photograph cited by some news organizations this week. The photograph is of 8-year-old Helen Keller holding a doll and sitting with her teacher, Anne Sullivan. The photograph was discovered by the New England Historic Genealogical Society in a collection of materials donated by an 87-year-old Bostonian last June.

There is no identifying information on the photograph yet, incidentally, researchers were still able to ascertain both the place of the photograph and the date of its creation: Cape Cod, 1888. It appears to be the earliest photograph of Helen with her teacher.

There are many reasons why the issue of Orphan Works has become such a problem. Most of the problems are caused by major changes to our law made in the last 30 years to bring it into compliance with international treaties. These include eliminating many formal requirements. As you mentioned, Mr. Berman, publication without notice of copyright. And the copyright term has been substantially extended. For work from the era of the Helen Keller photo that is anonymous and published, copyright protection is 120 years from the date of creation.

Under the Copyright Office's solution, the use of an orphan work would still be infringing, but the remedies would be reduced to a level that will make many beneficial uses possible.

A user must conduct a reasonably diligent search in good faith to locate the copyright owner to obtain permission. The copyright owner who resurfaces would still be entitled to recover against the user, but the remedy would be limited to reasonable compensation.

In recent months, we have considered ways in which to provide more guidance to a user in the search process including a requirement that users employ the best practices that are relevant and that are available from copyright owner and user groups.

As you mentioned, Mr. Berman, technology is an important aspect of best practices. We are impressed by the various products that exist and are being developed in the private sector, including image recognition, water marking, and fingerprinting products.

We are confident that these will help users find owners.

Finally, it may never be clear who owns the copyright in the photograph of Helen Keller and millions of other important works. Where there are copyright owners, we believe their ownership interests should be preserved. But we also believe that the liability of good faith users should reflect the market value of the use.

The Copyright Office looks forward to legislation addressing the problems of Orphan Works and offers its services to assist you in achieving that result.

Thank you.

[The prepared statement of Ms. Peters follows:]

PREPARED STATEMENT OF MARYBETH PETERS

UNITED STATES COPYRIGHT OFFICE
LIBRARY OF CONGRESS
WASHINGTON, D.C.

Statement of Marybeth Peters,
Register of Copyrights,
before the
Subcommittee on Courts, the Internet and Intellectual Property
of the House Committee on the Judiciary
on
The "Orphan Works" Problem and Proposed Legislation
March 13, 2008

Chairman Berman, Ranking Member Coble, and Members of the Subcommittee, I am pleased to appear before you today to testify in support of orphan works legislation. Like you, I believe it is important to address orphan works because they are a problem for almost everyone who comes into contact with the United States copyright system. Moreover, they are a global problem. Every country has orphan works and I believe that, sooner or later, every country will be motivated to consider a solution. The solution proposed by the Copyright Office is a workable one and will be of interest to other countries.

In my testimony, I will briefly explain the scope of the orphan works problem and why it is so important to provide relief—important not only to the copyright community but also to the public discourse. I will then turn to the challenge of how best to craft a solution that will move some copyright users forward without moving copyright law and copyright owners backwards. I am certain that this is possible.

The Orphan Works Problem

As you know, in 2005, with direction from this Subcommittee and the Senate Subcommittee on Intellectual Property, the Copyright Office conducted a comprehensive

investigation of the orphan works problem. In 2006, we published our findings and recommendations in a study entitled *Report on Orphan Works*. The Report documents the nature of the orphan works problem, as synthesized from the more than 850 written comments we received and the various accounts brought to our attention during three public roundtables and numerous other meetings and discussions.

We heard from average citizens who wished only to have old photographs retouched or repaired but were denied service by the photo shops. Unfortunately, if those photographs were taken by professionals (for example, wedding photos), the photo shops' actions make sense under the current law: they know that the photographer, not the customer, probably holds the copyright in the photograph. They ask the customer to produce evidence that the photographer has agreed to allow the reproduction of the photo (which will be necessary to retouch or repair the photo). But of course the customer has no idea who the photographer at his parents' wedding was, or quickly hits a brick wall when attempting to track that person down. Many other examples were presented to us as well, from museums that want to use images in their archival collections to documentary filmmakers who want to use old footage.

In fact, the most striking aspect of orphan works is that the frustrations are pervasive in a way that many copyright problems are not. When a copyright owner cannot be identified or is unlocatable, potential users abandon important, productive projects, many of which would be beneficial to our national heritage. Scholars cannot use the important letters, images and manuscripts they search out in archives or private homes, other than in the limited manner permitted by fair use or the first sale doctrine. Publishers cannot recirculate works or publish obscure materials that have been all but lost to the world. Museums are stymied in their creation of exhibitions, books, websites and other educational programs, particularly when the project would include the use of multiple works. Archives cannot make rare footage available to wider audiences. Documentary filmmakers must exclude certain manuscripts, images, sound recordings and other important source material from their films. The Copyright Office finds such loss difficult to justify when the primary rationale behind the prohibition is to protect a copyright owner who is missing. If there is no copyright owner, there is no beneficiary of

the copyright term and it is an enormous potential waste. The outcome does not further the objectives of the copyright system.

More than one phenomenon has contributed to the orphan works problem. Digital technology has made it easier for a work or part of a work (such as a sound recording or a "sample") to become separated from ownership or permissions information, whether by accident or through deeds of bad faith actors. Business practices have furthered the publication of works without any credit of authorship or copyright ownership, as in the publication of photographs in some advertising contexts.

Sweeping changes to copyright law in the past 30 years have also contributed heavily to the problem. On January 1, 1978, the date on which the Copyright Act of 1976 became effective, the United States dramatically relaxed the requirements of copyright protection in order to move to a system that fulfilled the standards of international conventions. In doing so, we moved away from the highly formalistic system we had for the first 188 years of our copyright heritage.

The Copyright Act of 1976 changed several basic features of the law. First, copyright protection became automatic for any work of authorship fixed in a tangible medium (e.g. on paper, on tape, in a computer file) and registration with the Copyright Office became optional. (Registration was retained only as a requirement of filing suit in a U.S. District Court and as a condition of collecting statutory damages and attorney's fees.) To reduce the possibility of a work falling into the public domain because of failure to publish without a copyright notice, the new law contained liberal, curative measures.

Second, it changed the term of copyright protection for new works to a period of the life-of-the-author plus an additional 50 years after the author's death. Prior to this change, the term had been bifurcated. An initial term of protection was available for 28 years, then a renewal term was available for another 28 years, but only upon affirmative application to the Copyright Office. In 1978, the renewal term for pre-1978 works was extended to 47 years and in 1998 it was extended again, to 67 years. In 1992, "automatic renewal" was instituted, removing from the law the requirement that renewal claimants file applications with the Office. Until this time, in practice, only a small percentage of copyright claims had ever been renewed, leading to earlier injection of works into the

public domain.[1] In 1998, under the Sonny Bono Copyright Term Extension Act, we extended term to a period of the life-of-the-author plus 70 years. In practice, for an author who creates while young and lives a long life, this could easily mean 125 years of protection or longer.

We made additional changes to our copyright law when we joined the Berne Convention, which prohibits formalities that interfere with the exercise or enjoyment of copyright protection. Thus, in 1989, the United States loosened the requirement that all works be registered as a condition of filing suit, making it inapplicable to foreign works. We also rescinded the condition that a published work must contain a proper copyright notice; thus, a common means of verifying the year of publication and the name of the copyright owner became less available. Finally, on January 1, 1996, under the Uruguay Round Agreements Act, we recognized millions of copyrights in foreign works that had been previously in the public domain because of failure to comply with the formal requirements of U.S. law, such as registration, publication with notice, and lack of copyright relations with the work's country of origin.

The Proposed Solution

In our study of the orphan works problem, the Office reviewed various suggestions from the copyright community. These included creating a new exception in Title 17, creating a government-managed compulsory license, and instituting a ceiling on available damages. We rejected all of these proposals in part for the same reason: we did not wish to unduly prejudice the legitimate rights of a copyright owner by depriving him of the ability to assert infringement and, where appropriate, collect an award that reflects the true value of his work. We also rejected proposals that would have limited the benefit of orphan works legislation to certain categories of works or uses. Both commercial and noncommercial users made compelling cases; moreover, these parties often collaborate on projects and both need the benefit of the law. Likewise, we concluded that there were significant problems with respect to all categories of works: published, unpublished, foreign and U.S. works.

[1] A 1961 Copyright Office study found that fewer than 15% of all registered copyrights were renewed. For books, the figure was even lower: 7%. *See* Barbara Ringer, 'Study No. 31: Renewal of Copyright'(1960).

Instead, we recommended a framework whereby a legitimate orphan works owner who resurfaces may bring an action for "reasonable compensation." As defined in our Report, reasonable compensation should be the amount "a reasonable willing buyer and reasonable willing seller in the positions of the owner and user would have agreed to at the time the use commenced."[2] Such a recovery is fair because it approximates the true market value of the work. It allows a copyright owner to present evidence related to the market value of his work and, at the same time, allows the copyright user to more precisely gauge his exposure to liability. Statutory damages would not apply to use of an orphan work. (The Office agrees with copyright owners who have since suggested that attorney's fees might make sense in certain instances where an orphan work user acts in bad faith.)

That said, we stress that statutory damages would not be off the table perpetually. If an owner were to emerge, his legal ownership of the copyright in his work is unchanged. Full remedies, including full statutory damages, would be available against new users and, indeed, against the original user making a new, subsequent use. It is a basic tenet of the proposal that subsequent uses may not be based on stale searches, thereby increasing the probability that an owner may be found.

The Copyright Office proposed one exception to the basic rule of reasonable compensation, which is a safe-harbor for certain limited uses performed without any purpose of direct or indirect commercial advantage. The exception would apply only where the user ceased infringement expeditiously after receiving notice of a claim for infringement. We believe that this provision is a critical piece of the orphan works solution.

In most instances, we expect that the kind of uses that fall within the safe harbor will be made by museums, archives, universities and other users acting for cultural or educational purposes. In order to effectively bring important material to light, these users may need an additional safety net. For example, in the case of a local historical society seeking to make multiple orphan photographs available on its website or in a pamphlet, it is possible that reasonable compensation, in the aggregate, would still prove onerous. Such uses are in the public interest, on the one hand, but will rarely conflict with the

[2] *See also Davis v. The Gap, Inc.*, 246 F.3rd 152 (2d Cir. 2001).

normal exploitation of the work or conflict with the legitimate interests of the copyright owner, on the other hand.

Finally, we note that injunctive relief is limited under our proposal. If a user has added significant new expression, we do not support the availability of an injunction, provided, however that the user pays reasonable compensation. If the user has not added significant new expression, we support the availability of an injunction with the caveat that a court be instructed to account for any harm to the extent practicable, in order to mitigate the harm resulting from the user's reliance.

Response of the Copyright Community

The Office received broad support for its Report and proposed solution, with the exception of photographers and some other owners of visual content. However, despite their opposition to legislation, visual artists have openly acknowledged the magnitude of the orphan works problem in their own community. One concern of photographers is that their works are sometimes perceived to be orphans when they are not really orphans. This is because photographs and other images are often published without credit lines or copyright notices. They do not always have metadata or watermarks. Certain categories of images are not routinely managed or licensed. These are genuine problems, but they are in fact the very essence of the orphan works problem.

Groups who oppose orphan works legislation have also objected to the removal of statutory damages, which are available under Title 17 in certain instances. Some have even asserted that statutory damages are an entitlement under the law that cannot be rescinded. We disagree. Statutory damages are an alternative means by which a copyright owner may recover against an infringer in lieu of proving actual damages and lost profits. However, they are only available if the owner has registered the work prior to the infringement or within three months of publication. (While it is possible that a registered work could be an orphan work within the proposed legislative framework, we think this is unlikely to be a common situation, not because the registration is guaranteed to be found, but because an owner who has taken steps to register his work has likely taken other steps to make himself available outside the registration system.) Statutory damages are not an absolute entitlement any more than copyright ownership itself is an

absolute right. Just as there are exceptions to, and limitations on, the exclusive rights of copyright owners (for example, fair use), there are exceptions to statutory damage awards. In cases of "innocent infringement," the court may reduce statutory damages to $200; for certain infringements by nonprofit educational institutions, libraries, archives and public broadcasters, the court may reduce the award to zero.[3] The fact remains that the possibility of statutory damages, however remote, is the single biggest obstacle preventing use in orphan works situations. In cases of non-willful infringement, statutory damages may be as high as $30,000 for each infringed work. In cases of willful infringement, they may be as high as $150,000 per infringed work.

We are not suggesting, in general, that the scheme of statutory damages is unjust. On the contrary, statutory damages fulfill legitimate and necessary purposes. That said, we do believe that in the case of orphan works, the rationale for statutory damages is weak. By definition, in the orphan work situation, the user is acting in good faith and diligently searching for the owner, and the owner is absent. The purposes of statutory damages, i.e. making the owner's evidentiary burden lighter, and deterring infringement, weigh less heavily here. If the copyright owner is not identifiable and cannot be located through a diligent, good faith search, we believe the appropriate recovery is reasonable compensation. If orphan works legislation does not remove statutory damages from the equation, it will not motivate users to go forward with important, productive uses. On the other hand, the prospect of orphan works legislation may motivate some owners to participate more actively in the copyright system by making themselves available.

Prior Legislative Action

On March 8, 2006, this Subcommittee held an oversight hearing on our Report, followed by a similar hearing in the Senate on April 6, 2006. On May 22, 2006, "The Orphan Works Act of 2006" was introduced in the House by former Chairman Lamar Smith. The bill included revisions to the Copyright Office's original proposal and incorporated a number of changes that were designed to protect photographers and other visual artists in particular. These changes included a requirement that users document their searches, a definition of "reasonable compensation" (taken from the Office's

[3] 17 USC § 504(c)(2).

Report), and the availability of attorney's fees under circumstances where a user fails to negotiate in good faith with an owner who has previously registered his work. That bill was later imbedded in H.R. 6052, "The Copyright Modernization Act of 2006." The 109th Congress ended before the bill could be addressed.

Current Issues

In the two years since our Report was published, the Office has spent a considerable amount of time meeting with stakeholders to understand their concerns and to consider the policy implications of their suggestions. There have been numerous symposia on orphan works, sponsored by bar associations, academic institutions, industry committees and professional organizations. We are grateful for the additional insight such meetings have provided and agree that refinements can be made. Many of our discussions over the past year have been focused on the goal of providing additional safeguards to the legislation, some of which I will now discuss.

The Role of Best Practices

One of the most important challenges in constructing orphan works legislation is creating search criteria that are both strong and flexible. On the one hand, a user must search for the copyright owner diligently. A short-list or static checklist should not suffice. If one step in a user's search leads him to another step, he must follow the trail and explore the facts that present themselves. On the other hand, a user ought not to be required to explore meaningless steps if he has good reason to believe they will be fruitless. For example, it makes no sense to require a user to check an electronic database specializing in contemporary images of American photographers if what he is looking for is the owner of a 1930's photograph of German origin.

One of the suggestions that emerged in the 2006 bill was to incorporate certain established practices ("best practices") into the search criteria. Such "best practices" would come from the relevant copyright communities—and thus a user who is looking for the owner of a sound recording would look to the recording industry and recording artists for guidance, as well as to other available resources. A book publisher looking for the owner of a photograph would look to the best practices proffered by photography

associations and, also, to the professional guidelines proffered by the publishing industry. The most advantageous feature of this approach is that changes can be made easily as practices evolve. Finally, in the past year, some have suggested that the Copyright Office take a more active role in best practices, not only collecting them but also in formulating them. If this would better ensure consistency and fairness across owner and user groups, and make best practices most useful to the public, we would not object to taking on this role.

The Role of Technology

The availability of technology will be an important aspect of best practices. As with best practices generally, the content owners and users in the respective copyright industries will be the parties most knowledgeable about whether a particular technology product is viable. For example, we are aware of several private sector companies working on tools and services that could help alleviate the orphan works problem by matching users to owners. On December 8, 2007, the Copyright Office organized a briefing and showcase of technology for Congressional staff.[4] At the briefing, companies highlighted image recognition, fingerprinting, watermarking, audio recognition and/or licensing features, and discussed their efforts to develop business models and standards, including database control, security, population fees, and allocation of user fees or subscriptions. We are confident that the marketplace offers, and will continue to offer, an array of databases and search technologies, which will result in more choices for the copyright owner and more aids for the prospective user. This is a process that is already underway but, certainly, an orphan works amendment would provide additional incentives for copyright owners and database companies to work together.

As a side bar, we believe that the Copyright Office's role in technology should be limited to reviewing best practices that are submitted to us. For example, we would not want to certify databases or other technological tools because we do not have the technical expertise to undertake such tasks. Moreover, we are not persuaded that

[4] The briefing included the following companies: Copyright Clearance Center, DigiMarc, Google, InfoFlows, PicScout, and PLUS. Audible Magic and Corbis could not attend but contributed materials.

certification should be a central concern. A user should take advantage of all reasonable tools likely to lead him to the copyright owner, regardless of whether the government has blessed that tool.

There are related questions, raised by some, as to whether the Copyright Office should have a searchable database of visual images; as we understand it, the Office would make copies of deposits that claimants send to us for registration purposes. We think a government database would be wasteful, ineffective and fraught with legal and practical problems. As a policy matter, the Copyright Office has never in its 200 year history made copyright deposits widely available for viewing (e.g. display or public performance). In contrast to registration information, which is made publicly available, deposits (if they have been retained by the Office) may be viewed by others only under very limited circumstances and subject to regulations that are intended to protect the deposits from unauthorized copying. Some copyright owners may be fearful of having their deposits made available to the public in digital form beyond the limited display that has been the practice for many years. Such a proposition could have a chilling effect on registration, which would in turn reduce the number of works that come to the Library of Congress as deposits through the copyright system.

On a practical level, it is difficult to imagine how the Copyright Office or any government office could ever keep pace with the image technology world that exists outside our doors and beyond our budget. In reality, the Copyright Office does not have and is not likely to obtain the resources that would be necessary to build a database of works that are searchable by image, even if there are some copyright owners who would be amenable to such an undertaking. Our point of comparison is the comprehensive reengineering project that the Copyright Office is just now completing. Among other things, this project has made it possible for authors, publishers and other copyright owners to routinely register their copyright claims electronically. Under the "Electronic Copyright Office" (or "eCO"), claimants may complete copyright applications, pay the required fees and submit the appropriate deposit copies of their works—all on-line. The eCO portion of reengineering took five years and has cost $17 million to date. We used off-the-shelf software (in accordance with Congressional directives) and completed the project on time and within the budget Congress appropriated. It represents the single

biggest overhaul of the Copyright Office since 1870 and the most significant adjustment to registration practices since 1978. Based on this experience, we believe it would be highly impractical for the Copyright Office to employ cutting edge image recognition technology.

Finally, unlike registration, the process of searching for a copyright owner is not a function controlled exclusively by the Copyright Office. Registration with the Copyright Office is voluntary and many copyright owners, including many photographers and visual artists, choose not to register. Thus it is the case already that when searching for a copyright owner, users look to private databases, websites, publishers, collecting societies, professional organizations, trade associations and many other resources.

Other Issues

In the course of meeting with stakeholders in recent months, we've discussed a few issues related to the application of our proposed solution. For example, it is our view that beneficial owners of copyright, as well as legal owners, should be entitled to recover reasonable compensation from an orphan works user. (Usually, a beneficial owner, often an author, is someone who has transferred the rights in a work to another party but who nonetheless retains an on-going financial interest, such as the right to an on-going royalty.) Since it is currently the case that a beneficial owner has standing to institute a suit for infringement, we see no reason to change this fact under the orphan works framework. Other issues we've discussed have included providing more detail as to the pleading requirements under orphan works legislation and considering possible new enforcement issues related to small claims of copyright owners.

Conclusion

In closing, we note that millions of orphan works are precluded from productive use by authors, publishers, filmmakers, archives, museums, local historical societies and other users, despite the fact that the copyright owners may never be found. The solution that the Copyright Office has proposed reflects the realities of the problem and creates a framework for limited use. It does not create an exception; nor does it rescind an owner's

copyright interests. We look forward to orphan works legislation and we are available to assist that goal in any way we can.

Mr. BERMAN. Mr. Adler?

TESTIMONY OF ALLAN ADLER, VICE PRESIDENT OF LEGAL AND GOVERNMENTAL AFFAIRS, ASSOCIATION OF AMERICAN PUBLISHERS, INC., WASHINGTON, DC

Mr. ADLER. Thank you, Mr. Chairman, Mr. Coble, and Members of the Subcommittee.

Book publishers are both producers and users of copyrighted works and have experienced the frustrations of the Orphan Works problem in seeking necessary permissions to incorporate photographs, illustrations, unpublished correspondence, and other third-party copyrighted works into the literary works they publish.

Consequently, publishers have long supported development of a scheme within copyright law that will effectively address this issue without doing harm to the basic rights of copyright owners.

Publishers thought the Copyright Office report did an excellent job in defining the nature of the orphan work problem and advocating a straightforward framework that would be applicable to a variety of copyrightable works and their many uses.

That framework, further developed in the proposed Orphan Works Act of 2006, is based on the following premise: If the infringing user of a copyrighted work has first performed a reasonably diligent but ultimately unsuccessful search to identify or locate the copyright owner to obtain permission, then that infringing user would be eligible for limitations on the compensation and injunctive remedies that the copyright owner could obtain if the owner turns up and pursues an infringement claim subsequent to the commencement of such infringing use.

Although publishers have some unresolved concerns about the 2006 bill, AAP believes the Subcommittee-approved version of that legislation should be the starting point for efforts to enact Orphan Works legislation in the current Congress.

In my written statement, I have noted several ways in which the 2006 bill fleshed out the all-important concept of what constitutes a reasonably diligent search.

While it is critical to get this concept right in the legislation, a clear consensus on satisfactory criteria has not been readily forthcoming.

On the one hand, the criteria need to be sufficient to thwart fraudulent search claims and to justify permitting an infringing use to proceed under protection of a limitation on remedies should the copyright owner subsequently surface.

In effect then, they should be sufficient to ensure that in the vast majority of cases, the performance of a reasonably diligent search will mean that it is highly unlikely to the copyright owner will surface after the infringing use is commenced.

On the other hand, the criteria need to be sufficiently reasonable and realistic so that the task of conducting a qualifying search will not seem so difficult as to discourage all but the most well-heeled would be users from pursuing the use of a particular work solely because they cannot identify or locate the copyright owner.

The 2006 bill had a number of specific requirements that helped to make the concept of a reasonably diligent search meaningful,

and these can be built upon as necessary to develop a consensus among stakeholders.

My written statement also explains publishers' views on additional work necessary to resolve questions on when a person other than the user, who previously performed a reasonably diligent search, should be permitted to piggyback or rely upon the results of that search to claim eligibility for the billed limitation on remedies.

The goal here is to avoid propagating the mistaken notion that "orphan work" is a status designation that thereafter governs all future uses of that work by all users.

Besides the reasonably diligent search requirement, the 2006 bill provided that the infringing users eligibility for its limitation on remedies depends on whether the infringing use of the work provided attribution to both the author of the work and the owner of the copyright.

As explained in my written statement, publishers urge Congress to reconsider whether attribution should be a requirement for obtaining a limitation on remedies. And if so, whether at attribution to only the copyright owner should satisfy that requirement.

Publishers believe there is more work to be done in shaping be the limitations on monetary and injunctive relief that would be available to a copyright owner who surfaces after an infringing user has performed a reasonably diligent search and commences infringing use of the work.

I have explained these issues in my written statement and would be happy to answer questions about them.

One final point, book publishers have heard some other producers of copyrighted works say that Orphan Works legislation will seriously harm their ability to protect and exploit their works.

As noted earlier, book publishers share some of those concerns. In some cases, however, copyright owners who say they will be harmed by Orphan Works legislation also say they are unable to effectively protect their types of works from infringing uses under current law.

The concern is about exacerbating existing infringement problems.

Publishers believe that provisions in the 2006 bill could address most of these concerns insofar as they arise out of the Orphan Works scheme. But some of these concerns, insofar as they are based on problems occurring under current law, may require those copyright owners to take overdue action to create searchable ownership databases and use available technological means of protecting copyright within their community in the same way that copyright owners who produce other types of works have already done or are currently doing.

Where there are current available technological solutions that have not yet been applied to address such problems, Congress should not delay the effective date of enacted legislation for application to certain types of works or exclude those works or certain uses of them from application of search legislation altogether except as measures of last resort.

[The prepared statement of Mr. Adler follows:]

PREPARED STATEMENT OF ALLAN ADLER

Statement

of

Allan Adler
Vice President for Legal & Government Affairs
Association of American Publishers

Before

The Subcommittee on Courts, the Internet and
Intellectual Property
Committee on the Judiciary
U.S. House of Representatives

Concerning

Orphan Works Legislation

Thursday, March 13, 2008

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to appear here today on behalf of the Association of American Publishers ("AAP") to discuss the need and framework for "orphan works" legislation.

As you may know, AAP is the principal national trade association of the U.S. book publishing industry, representing some 300 member companies and organizations that include most of the major commercial book and journal publishers in the United States, as well as many small and non-profit publishers, university presses and scholarly societies. AAP members publish hardcover and paperback books and journals in every field of human interest. In addition to publishing print materials, many AAP members are active in the emerging market for ebooks, and also produce computer programs, databases, Web sites and a variety of multimedia works for use in online and other digital formats.

Background

AAP has been on the public record urging the need to resolve the problem of "orphan works" at least since the proceedings that resulted in the issuance of the Copyright Office "*Report on Copyright and Digital Distance Education*" in May 1999. Book publishers believe it is important to address how U.S. copyright law might permit uses of a copyrighted work that implicate the exclusive rights of the copyright owner, when the uses are not authorized by any of the statutory limitations or exceptions applicable to such rights and the would-be users cannot identify or locate the copyright owner in order to obtain required permission.

As both users and producers of copyrighted works, book publishers have a fundamental interest in advocating the widespread availability and use of copyrighted works consistent with established principles of copyright law. They also have considerable experience in seeking necessary permissions to incorporate photographs, illustrations and other discrete, third-party copyrighted works into the histories, biographies and other kinds of copyrighted literary works they publish.

For these reasons, book publishers fully understand the frustration that can arise when the desire to incorporate a third-party work as part of a new work being prepared for publication is thwarted by a concern over potential infringement liability based not on the copyright owner's refusal to authorize such use of the third-party work but on the inability of the publisher – or author – of the new work to identify or locate that copyright owner in order to request the permission that is necessary to legally make the intended use.

Book publishers also have considerable experience in dealing with those who infringe their works and attempt to exploit loopholes in the copyright law to justify their actions. Consequently, while AAP is extremely supportive of the need for legislation to adequately and effectively address the orphan works issue, we also understand the concerns of others that language in any orphan works legislation must be carefully crafted so as not to create any additional loopholes for unscrupulous infringers.

The Copyright Office Report and Proposed "Orphan Works Act of 2006"

When the Copyright Office published its "Report on Orphan Works" in January 2006, AAP was gratified to learn that the Report recommended the same basic framework that the book publishing community and many others had proposed for dealing with the "orphan works" problem in the Comments and Reply Comments that AAP had earlier submitted to that agency.

From the perspective of the book publishing community, the Copyright Office wisely rejected a variety of proposed "orphan works" schemes that seemed excessively complex, discriminatory, costly or bureaucratic, in favor of advocating a relatively simple, uniform, and flexible way of addressing the problem. Its minimalist approach seemed calculated to require the fewest possible changes to current U.S. copyright law, no impact on U.S. obligations under international copyright agreements, and the least possible bureaucratic impact on governmental entities, as well as on owners and users of copyrighted works. By its terms, it could be characterized as a "fine tuning" of statutory law that would not impose any new prerequisites for registration or enforcement of copyright, or in any way affect the duration of copyright, the scope of copyright liability, or the applicability of "fair use" or other defenses against infringement.

The core concept of the Copyright Office recommendation, which was also the basic premise of the proposal advanced by AAP, was fairly straightforward:

If the infringing user of a copyrighted work has first performed a reasonably diligent but, ultimately, unsuccessful search to identify or locate the copyright owner to obtain permission before engaging in an infringing use of the work, then that infringing user generally would be entitled to have the benefit of limitations on the compensation and injunctive remedies that the copyright owner could obtain if the owner turns up subsequent to the commencement of such infringing use and pursues an infringement claim.

The infringing user's eligibility for protection under a "limitation of the copyright owner's remedies," as the result of performing a reasonably diligent (albeit unsuccessful) search for the copyright owner, was carried forward as the basic consensus framework for the proposed "Orphan Works Act of 2006" (H.R.5439), which was introduced and approved by this Subcommittee in May 2006. Although not enacted in the last Congress, H.R.5439 built upon the recommendations of the Copyright Office in a manner that leads AAP to urge that the Subcommittee-approved version should be the starting point for a push to enact orphan works legislation before the end of the current Congress later this year.

Let me briefly touch upon a few key concepts that were developed in the 2006 bill to clarify the basic application of the essential framework elements, and a few key issues that still need to be resolved:

Reasonably Diligent Search: AAP generally agreed with the Copyright Office recommendation that whether an infringing user has conducted a "reasonably diligent search" to identify or locate the copyright owner should be determined on a case-by-case basis measured against a flexible standard of reasonableness in the totality of the circumstances. However, among the useful statutory clarifications that added flesh to this concept in H.R.5439 were requirements that the search:

- Must be performed *and* "documented" before the infringing use of the work commences;
- Must include steps that are "reasonable under the circumstances" to identify or locate the copyright owner in order to obtain permission for the use, including, at a minimum, review of information from "authoritative sources" (i.e., industry guidelines, statements of "best practices," and other relevant documents) that is maintained and made available to the public by the Copyright Office, and designed to assist users in conducting and documenting such a search;
- Must also include review of "sources of reasonably available technology tools" and "reasonably available expert assistance" that are similarly obtained and maintained and made available to the public by the Copyright Office, which may include (if reasonable under the circumstances) resources for which a charge or subscription fee is imposed; and,
- Must extend beyond reference to the lack of identifying copyright ownership information on the copy of the work.

In addition, at the urging of AAP and others, H.R.5439 at least partially addressed the question of when it should be appropriate for a would-be user to be eligible for the limitations on remedies in reliance upon the results of a previous third-party

search, rather than the user's own search efforts (i.e., "piggybacking"). The bill made it clear, for example, that a reasonably diligent search conducted by a would-be user's employees acting within the scope of their employment, or by a third-party acting in an agency capacity on behalf of the user, will qualify the user for the statutory limitations on remedies in the same way as would such a search conducted by the user.

It also made it clear that any person who engages in a related infringing use of the same work as the user who conducted a reasonably diligent search, should be able to qualify for the limitations on remedies based on the user's search where the related infringing use occurs pursuant to a license from the user or the user's licensee. For example, if the original user of the "orphan work" is an author who incorporates the work into a new work pursuant to conducting a search that meets the statutory standard, then the publisher of the new work, as well as the publisher's distributors and licensees, would also qualify for the limitations on remedies without having to each conduct their own search for the copyright owner of the original work.

However, the 2006 bill did not specifically address other instances of potential "piggybacking" on previously-conducted searches that will arise in situations where the second user of the work is not tied to the original user by any license or other basis for asserting a claim of legal privity, and the use of the work by the second user is different from and unrelated to the use of the work by the original user. AAP believes that applying an objective reasonableness test to such reliance, as suggested by the Copyright Office report, invites the real risk that such follow-on users, as a matter of practice, will not make any independent effort to locate the copyright owner *other than* to determine whether a previous search was conducted by another user. This could have the unfortunate effect of perpetuating the mistaken notion that "orphan work" is a designation which, once applied, adheres to the work in question and creates a status for that work that governs all of its future uses by all users, instead of reflecting the more accurate and appropriate notion that the designation applies to the work only in connection with a particular use by a particular user or users.

AAP does not suggest that a subsequent unrelated user should never be permitted to reasonably rely on the results of a previous search conducted by another user, but urges that any treatment of this issue should avoid conveying the idea that a subsequent user would qualify for the limitations on remedies simply by reference to the previous search efforts of another user. As a general rule, it should be clear that the responsibility to conduct a reasonably diligent search for the copyright owner prior to using an "orphan work" attaches to each use of the work, rather than

to each user. This will help to ensure that a reasonable legal process established to provide for the use of "orphan works" without undue risks of infringement liability will not degenerate into a means by which such works are treated, in common practice, as though they were no longer subject to copyright protection.

Attribution: In addition to the "reasonably diligent search" requirement, the infringing user's eligibility for the "limitations on remedies" under the bill depends on whether the infringing use of the work provided "attribution" to the author and owner of the copyright, in a manner reasonable under the circumstances and "if known with a reasonable degree of certainty based on information obtained in performing the reasonably diligent search."

Insofar as U.S. copyright law contains no general requirement for attribution when third-party works are used, it is unclear why attribution should be required for a use under "orphan work" treatment, especially since the "orphan work" situation will predictably be one in which the accuracy of any attribution to the copyright owner frequently will be inherently suspect. Given the circumstances in which such notice will be provided, it is likely that the provided attribution in many instances may be more misleading than informative. AAP is also concerned that requiring attribution as a condition for obtaining the limitations on remedies could make such attributions a routine litigation target for emergent copyright owners to challenge the infringing user's eligibility for such protection, notwithstanding the user's satisfaction of the "reasonably diligent search" requirement.

It also is not clear why the 2006 bill would have made the attribution requirement apply to both the author and the copyright owner of the work, when being able to identify either of these persons often will be extremely doubtful under the basic premise of orphan works treatment. In the context of orphan works legislation, it makes little sense to identify the author, since the author has no right or ability to license the use of the work at issue if that person is not also the copyright owner. It is not clear that requiring attribution to the author – in addition to attribution to the copyright owner – accomplishes anything other than creating a significant potential loophole in the orphan works limitation.

In light of these concerns, Congress should carefully consider whether attribution should be made a condition for obtaining the limitations on remedies, and, if so, whether attribution to only the copyright owner should satisfy the eligibility requirement.

Limitations on Remedies: Overall, AAP believes that the 2006 bill, insofar as it developed and clarified Copyright Office recommendations for shaping the

"limitations on remedies" policies, was fairly balanced and reasonable, particularly in its handling of the availability of "reasonable compensation" for the copyright owner who comes forward subsequent to the commencement of a qualifying "orphan work" use. However, given the concerns raised by some of the parties to both the user and owners camps, AAP believes there is more work to be done.

Limitation on Remedies – Monetary Relief: Inherent in the very concept of "orphan work" treatment, as urged by AAP and recommended by the Copyright Office, is the expectation that the issue of "reasonable compensation" is unlikely to arise in the vast majority of cases. If the "reasonably diligent search" requirements for obtaining limitations on remedies are implemented in good faith by would-be users of "orphan works," such users will seldom, if ever, subsequently encounter a claim for monetary relief by the copyright owner. Nevertheless, in those cases where a copyright owner does subsequently surface, the point of the "reasonable compensation" provision is to put the owner and user, to the greatest extent possible, in the respective positions they would have occupied in an ordinary marketplace negotiation occurring prior to the infringing use, where the amount paid to the owner by the user would represent what a reasonable willing user would have paid a reasonable willing owner based on knowledge and evidence of comparable marketplace transactions.

However, the copyright owners of certain types of works are apparently concerned that the proposed implementation of the limitations-on-remedies principle, which would eliminate the availability of an award of attorney fees and costs to the emergent copyright owner, as well as the availability of actual or statutory damages, may not provide sufficient economic incentive for them to pursue a claim of infringement in circumstances where the infringing user unreasonably refuses to pay reasonable compensation to the owner. For this reason, in the interest of fairness, AAP supported a provision in the 2006 bill that would give the federal courts discretion to award "full costs," including reasonable attorney fees, to a subsequently emergent plaintiff-owner "if the infringer fails to negotiate in good faith" with such plaintiff-owner regarding the amount of reasonable compensation to be paid by the infringer. We were also sympathetic to the idea of studying whether a "small claims action" for infringement would be workable and resolve some of their issues.

In addition, AAP would urge Congress to make sure that the practical meaning and application of "reasonable compensation," "direct or indirect commercial advantage," "charitable, religious, scholarly, or educational purpose" and other key terms that establish the limitations on monetary relief in the statutory scheme are fully explained in statutory definitions or legislative history. Among other things,

the legislative history should make clear that actions by the infringing user *other than* selling copies of the infringed work may constitute "commercial advantage," and that the provision's purpose in providing a safe harbor for infringing uses "performed without any purpose of direct or indirect commercial advantage and primarily for a charitable, religious, scholarly, or educational purpose" is not to lay a foundation for the assertion of a general "personal use" or "private use" exemption from infringement liability but only to effectuate the limitations on remedies for non-profit infringing uses that qualify for "orphan work" treatment, regardless of whether the user is an individual or an entity.

Limitation on Remedies – Injunctive Relief: AAP generally supports the distinctions that were drawn in the Copyright Office legislative recommendations regarding the availability of injunctive relief. However, AAP believes that the attempt by the Copyright Office to use the concept of "derivative works" in describing the circumstances where injunctive relief may not be awarded to "restrain the infringer's continued preparation and use" of a new work that "recasts, transforms or adapts" the infringed work was awkward, confusing and inconsistent with the kind of results that the Copyright Office seeks to effectuate as described in its Report. For example, although the discussion in the body of the Report clearly contemplated that this limitation should apply where the infringed work is a photo or manuscript that the infringing user has incorporated into a new literary work, such a use of the infringed work would not constitute the creation of a "derivative work" based on that infringed work. Moreover, in the attempt to make sense of what the Copyright Office was seeking to accomplish, provisions in the 2006 bill that would have limited injunctive relief in cases where the infringing user "recasts, transforms, adapts, or integrates the infringed work with the infringer's original expression in a new work of authorship" would have unaccountably discriminated against use of the infringed work in compilations, including anthologies and exhibitions, without any public policy justification.

AAP believes that these issues still need to be sorted out with the Copyright Office and interested stakeholders. However, there is another issue regarding the limitation on injunctive relief that was not addressed in the Copyright Office report but was the subject of a consensus provision developed for the 2006 bill.

AAP believes that it would be unfair to copyright owners and, potentially, a problem for U.S. adherence to its international treaty obligations if State entities are permitted to claim the proposed "limitation on remedies" protection for their attempts to engage in "orphan works" use.

As the result of a series of federal court decisions on the sovereign immunity of States under the Eleventh Amendment, State entities cannot be liable for monetary damages resulting from their acts of copyright infringement. They may, however, be subject to injunctions prohibiting further infringing use of copyrighted works. Since the proposed "orphan work" scheme would, in some circumstances, allow the copyright owner of the infringed work to obtain monetary damages (in terms of court-determined "reasonable compensation") but not injunctions, letting State entities avail themselves of the "orphan work" scheme would mean that a copyright owner who comes forward to confront a State entity that is an infringing user would be unable to get either an injunction (under the "orphan works" scheme) or, if the State entity balks at providing "reasonable compensation," a monetary award (under the existing case law) and, thus, would be left with no recourse. This would be a patently unfair result, which almost certainly would violate U.S. obligations under the TRIPs Agreement, among others.

Accordingly, in order to avoid this situation on which the Copyright Office report was silent, the 2006 bill clarified that the "orphan work" scheme would not be available to limit injunctive relief against an infringing State entity unless the entity has complied with the general eligibility requirements for a limitation on remedies, and made a good faith offer of reasonable compensation which, upon rejection by the copyright owner, was affirmed in writing by such entity after the court determined that the amount of compensation offered was reasonable.

Effective Date: Although the issue of an effective date for implementation of the statutory "orphan works" scheme was not addressed by the Copyright Office, AAP believes the effective date should be the date of enactment. However, we understand that some stakeholders may want to delay the effective date for implementation in order to provide time for their communities to become familiar with the intended operation of the enacted scheme, and to develop the "best practices" and owner information resources that will help facilitate a fair and efficient implementation of "orphan works" treatment. In particular, some copyright owners of photographic, graphic arts or sculptural works have suggested that the effective date of any legislation should be delayed with respect to their works in order to facilitate their use of image search technologies and databases to help safeguard their works.

Technology and Orphan Works

During discussions about orphan work legislation, certain copyright owners have raised issues regarding the potential adverse impact of such legislation on their ability to control the exploitation of their works in the marketplace. As previously

noted, photographers, graphic artists and illustrators, along with applied arts designers whose works appear on functional objects of utility, have voiced dire warnings that they are currently unable to protect their works effectively from infringing uses, and that this problem will be greatly exacerbated under an orphan work scheme that effectively authorizes infringing uses of their works without their authorization.

Whether their current problems are due to the sheer number of works they produce each year; how those works are used in commercial advertising, domestic "personal" or "private" uses, or by overseas manufacturers; the expense claimed to be involved in attempting to provide effective protections; or the lack of affordable technological capabilities to address their needs, there has been steady discussion about creating exclusions from the orphan work legislation for certain types of works or uses of works, or delaying the application of the legislation to such works or uses until appropriate technological solutions for finding works or copyright ownership information related to them have become widely-available.

AAP is confident, however, that enactment of the proposed "orphan works" scheme will create new business opportunities in the marketplace for third parties offering professional search services, ownership information services, and the like. We believe the statutory language itself should anticipate such developments. It is our understanding that the briefing on *"Technology and Orphan Works: The State of the Art,"* which the Copyright Office organized in December of last year for Congressional staff, indicated that a broad array of software and related tools that facilitate image recognition, fingerprinting, watermarking, audio recognition, and licensing for copyrighted works in digital formats is now developing or already available in marketplace service applications to address many of the problems associated with orphan works legislation.

In fact, since my testimony before this Subcommittee in March 2006, numerous companies have indicated that they are currently able to use these technologies to offer search and other database services that could mitigate some of the concerns of these copyright owners regarding the application of orphan works legislation to their works. Several of these companies have already begun reaching out to these concerned copyright owners to develop strategies and systems for documenting and finding ownership information in connection with their works.

As is the case with many technological solutions, we believe it is best to let these commercial services compete in the marketplace, rather than to impose government regulation and responsibility to determine the availability and suitability of such solutions for addressing orphan work issues. Government has

little talent or right, for that matter, to be picking "winners and losers" in marketplace competition based upon the commercial offering of technological services.

In these circumstances, we see little justification for unduly complicating or delaying the effective date for the application of orphan works to all manner of copyrighted works, especially through giving a federal agency, such as the Copyright Office, regulatory responsibilities that it is ill-suited and poorly-resourced to perform.

Conclusion

AAP is aware of problems that photographers, graphic artists and certain other users and producers of copyrighted works say orphan works legislation will cause for their constituencies. In fact, as noted earlier, book publishers have many of those same concerns. AAP believes provisions in the 2006 bill would address most of those concerns. To the extent there remain additional problems that may be appropriately addressed by this legislation, they may require only minor modifications to the 2006 bill. Others may require that these copyright owners take long-overdue action to organize the availability of effective databases and other copyright protections within their community in the same way that other copyright owners have already done with respect to their own communities.

Book publishers are ready, willing and able to work with Congress, the Copyright Office and all interested stakeholders to pick up where we left off with the 2006 orphan work legislation. In the interest of avoiding the pitfalls of attempting to craft unnecessarily lengthy and detailed statutory language, AAP urges that efforts to resolve outstanding issues should focus, wherever appropriate and to the greatest extent possible, on the creation of a negotiated consensus legislative history that incorporates specific examples and illustrations to clarify the purpose and intended operation of the "orphan works" statutory scheme.

Once again, thank you for this opportunity to present AAP's views on the need and framework for orphan works legislation.

Mr. BERMAN. Thank you very much.

Ms. Kevorkian?

TESTIMONY OF CORINNE P. KEVORKIAN, PRESIDENT AND GENERAL MANAGER, SCHUMACHER, A DIVISION OF F. SCHUMACHER & COMPANY, NEW YORK, NY

Ms. KEVORKIAN. Chairman Berman, Ranking Member Coble, and Members of the Subcommittee, thank you for the opportunity to testify on the issue of Orphan Works and the need to balance the interests of copyright owners and users.

I come before you today to speak on behalf of the hundreds of American companies, members of the Decorative Fabrics Association, the National Textile Association, the Association of Contract Textiles, the Home Fashion Products Association, and the American Manufacturing Trade Coalition who will be negatively affected by an Orphan Works amendment to the Copyright Act, at least in the form heretofore proposed.

Our members are weaving and printing mills, converters and textile designers, furniture manufacturers, and home fashion manufacturers.

Most are small and mid-sized family-owned businesses.

Collectively, our members spend several millions dollars every year in design development and sampling cost and have tens of thousands of active patterns in their lines.

While we understand that there is a legitimate concern about true Orphan Works, previously-introduced legislation had the effect of creating orphans out of valuable visual works. It is hard to conceive under any scenario what greater public good is served by making a particular textile design available to a commercial enterprise which cannot locate the rightful copyright owner.

There is simply no legitimate reason, educational, historical, cultural, or otherwise why a shower curtain manufacturer, for instance, has to use a certain design. If they are unsure of the copyright origin of a particular pattern, instead of risking the cost of litigation and infringement damages, they can just create their own design.

The consuming public will not be cheated if it cannot buy a shower curtain or other product with a particular pattern on it. If anything, selection will be enhanced because new, original designs will be created.

Every design created by textile and home furnishing companies is intended for commercial exploitation. They are created for the sole purpose of being applied to a product that can be sold and commercially exploited for the profit of their copyright owners.

The inability to distinguish between abandoned copyrights and those whose owners are simply hard to find because a copyright notice has been removed or because the Copyright Office does not have a searchable database of visual work and no technology exists for such search, is a Catch-22 of this Orphan Works project.

This legislation would orphan millions of valuable copyrights that can be otherwise be distinguished from true Orphan Works. And that would open the door to commercial theft on an unprecedented scale.

The Orphan Works problem can be and should be solved with carefully crafted, specific limited exemptions. At a minimum, any orphan work legislation should exclude from its reach any visual work that was initially created for commercial exploitation or was at any time commercial exploited such as textile design as such works are not orphan works.

Members of the Subcommittee know all too well that Asia, and China in particular, it is a major source of illegal copies. An orphan work proposal will only further embolden these copyright violators, most of whom are not subject to U.S. jurisdiction, to steal our designs, claim them to be orphaned, and we sell them to unsuspecting or unquestioning buyers who will rely on the infringer's claim of a reasonable search.

Because there is no practical way to search for visual art, the end result is that the majority of visual artwork is likely to be deemed orphaned. In other words, as far as visual art is concerned, today almost any search is likely to be deemed diligent even if it has no chance of actually identifying the copyright owner.

If an exclusion is not granted for visual works created for commercial exploitation, then at a very minimum, the proposed Orphan Works legislation should put the onus on the Copyright Office to develop a comprehensive database of visual works going back to 1978 that is fully searchable through effective image-recognition technology.

The Copyright Office is the natural location and guardian of such a database. Any Orphan Works legislation should not come into effect until after the Copyright Office has successfully demonstrated and certified to Congress that it has implemented such a searchable database.

While the textile and home furnishings industry is not opposed to an Orphan Works solution targeted to the specific concerns of the not-for-profit institutions and specific categories of copyrighted work for specific uses, we urge Members of this Subcommittee to take a tailored approach and consider the impact of any legislation on the visual arts industry.

At a time when the American economy is in a recession and the textile industry is facing increased threats from foreign competition, we urge Congress not to strip the American textile and associated industries from their one competitive advantage: their intellectual property.

Mr. Chairman, Ranking Member Coble, and Members of the Subcommittee, I again thank you for the opportunity to bring the concerns of the textile and home furnishings industry to your attention as you attempt to balance the interests of copyright owners and users.

We look forward to working with you in the weeks ahead and devise a workable solution to this problem.

Thank you.

[The prepared statement of Ms. Kevorkian follows:]

PREPARED STATEMENT OF CORINNE P. KEVORKIAN

PREPARED STATEMENT OF THE NATIONAL TEXTILE ASSOCIATION
AMERICAN MANUFACTURING TRADE ACTION COALITION
DECORATIVE FABRICS ASSOCIATION
ASSOCIATION OF CONTRACT TEXTILES
HOME FASHION PRODUCTS ASSOCIATION

BEFORE THE

HOUSE JUDICIARY SUBCOMMITTEE ON COURTS, THE INTERNET AND INTELLECTUAL PROPERTY
UNITED STATES HOUSE OF REPRESENTATIVE

CORINNE P. KEVORKIAN
PRESIDENT AND GENERAL MANAGER, SCHUMACHER DIVISION
F. SCHUMACHER & CO.

WASHINGTON, D.C.

MARCH 13, 2008

Chairman Berman, Ranking Member Coble and Members of the Subcommittee, thank you for the opportunity to testify on the issue of orphan works and the need to balance the interests of copyright owners and users. I come before you today to speak on behalf of the hundreds of American companies -- members of the Decorative Fabrics Association (DFA), the National Textile Association (NTA), the Association of Contract Textiles (ACT), the Home Fashion Products Association (HFPA) and the American Manufacturing Trade Coalition (AMTAC) – who will be negatively affected by an orphan works amendment to the Copyright Act, at least in the form heretofore proposed.

I am the President and General Manager of Schumacher, a Division of F. Schumacher & Co., a family-owned company headquartered in New York City. Prior to my current position, I practiced corporate and intellectual property law for 23 years, 15 of which as General Counsel of

F. Schumacher. I am also a member of the Board of Directors of the DFA. For over a century, F. Schumacher has been a leading designer and supplier of fine decorative fabrics, wallcoverings, carpets and home furnishing products to the interior design trade, including designers and decorators, architects and other design professionals. Our products are sold through a network of trade showrooms and road sales representatives. F. Schumacher currently employs approximately 400 people nationwide, with facilities and showroom locations in 18 different states, including California, Georgia, Texas, Florida, Michigan and South Carolina.

As a converter and jobber, F. Schumacher does not print or manufacture products itself, but creates original designs and then enters into arrangements with contract manufacturers in the United States and abroad who print or weave the fabric, wallpaper or rugs for us. We also purchase existing designs from these mills for exclusive distribution in certain geographical markets. F. Schumacher employs over a dozen artists and stylists in its in-house design studios, who are responsible for creating hundreds of new patterns, styles and colors every year. Additionally, F. Schumacher commissions freelance designers and artists to create exclusive artwork for the dozens of new collections of fabric, wallpaper and rugs we introduce each year. F. Schumacher spends several million dollars every year in design development and sampling cost, and currently has over 8,000 active patterns (skus) in its line.

F. Schumacher is a member of the Decorative Fabrics Association, which is comprised of approximately 60 member companies similarly engaged in the wholesale distribution of highly-styled domestic and imported decorative fabrics and other home furnishings throughout the United States. Many DFA members are much smaller than F. Schumacher, with limited

financial resources. DFA also has Allied Members, some of which are mills that are also members of the National Textile Association. The NTA is the nations' oldest and largest association of fabric-forming companies and includes many that supply the home furnishings market. Members of NTA are located throughout the United States, including Pennsylvania, Massachusetts, North Carolina and South Carolina -- historically heavy textile industry states that have been devastated by job losses and plant closures due to foreign competition and the weakened American economy. Most of NTA's member weavers are small and mid-sized businesses that are privately owned, frequently having been run by American families for multiple generations.

The Association of Contract Textiles is a not-for-profit trade association founded in 1985, whose purpose is to address a variety of issues related to the contract textiles industry and whose 80 members are textile wholesalers, furniture manufacturers and other suppliers to principal member companies. The American Manufacturing Trade Coalition represents a wide range of industrial manufacturers who support policies to stabilize the U.S. industrial base and preserve and create American manufacturing jobs. The HFPA is a national, non-profit organization dedicated to advancing the common interests of the home fashions products industry through a variety of programs and activities. The membership encompasses manufacturers and suppliers of bedding products, including sheets, pillow cases and bed coverings, window treatments, bath & bed decorative products, drapery and upholstery fabrics, kitchen textiles, table linens and related accessory classifications. Together, member companies of NTA, DFA, ACT, HFPA and AMTAC employ hundreds of thousands of Americans and help drive the U.S. economy in a meaningful way.

For the reasons enunciated below, the textile and associated home furnishings industry is deeply concerned by the proposed "orphan works" amendment to the Copyright Act, which would have the effect of creating orphans where none existed. As far as our industry is concerned, we do not believe that we have an "orphan works" problem. While we understand the needs of the cultural and educational not-for-profit institutions whose interests where at the heart of the initial orphan works proposal, we believe that, if unchanged, the "orphan works" amendment as initially drafted will create dire, unintended consequences for the textile and home furnishings industry.

The Textile and Home Furnishings Industry Does Not Have An Orphan Works Problem

At the heart of the orphan works proposal is the laudable notion that old works whose authors have abandoned their copyrights and who cannot be located should be made available for the greater good of society. These works, it is argued, have no commercial value but have historical, cultural or educational significance and should be made available to the public. In her written testimony before the Senate Judiciary Committee on April 6, 2006, Maria Pallante[1], then Associate General Counsel and Director of Licensing for The Solomon R. Guggenheim Foundation, stated that the Copyright Office's proposal would ensure "the mission of making letters, manuscripts, photographs and ***other culturally significant*** materials available to the public" and that this proposal would "directly affect the intellectual, historical and cultural life of all Americans." [Emphasis added]

[1] Ms. Pallante is Deputy General Counsel , U.S. Copyright Office.

It is hard to conceive, under any scenario, what greater public good is served by making a particular textile design available to a commercial enterprise who cannot locate the rightful copyright owner. Under current law, outside of certain public-interest uses, such as exhibits by museums and libraries, what is the downside for those who do not know if a particular textile design is copyrighted? They would risk a potential lawsuit if they use the design, so they don't use it. How is that detrimental to the public good? There is no legitimate reason (educational, historical, cultural or otherwise) why a shower curtain company, for example, **has** to use a certain design. If they are unsure of the copyright origin of a particular pattern, instead of risking the cost of litigation and copyright infringement damages, they can just create their own design. The consuming public will not be cheated if it cannot buy a shower curtain (or rug or wallpaper or table cloth or upholstery fabric, etc.) with a particular pattern on it. If anything, selection will be enhanced because new original designs will be created.

Every design created by textile and home furnishing companies is intended for commercial exploitation. Make no mistake: while these designs are artistically beautiful, they are not intended to be art. They are created for the sole purpose of being applied to a product that can be sold and commercially exploited for the profit of their copyright owners. A design may be commercially exploited for six to ten years, then fall out of fashion and be placed in a company's archives. When a particular fashion trend or business need justifies bringing a particular design back into production, a textile company will reintroduce the design, perhaps recoloring or reinterpreting it. Or perhaps it will be licensed for application on a different product category altogether. But the design is never orphaned during the duration of its copyright term. The textile company knows exactly where it is, and did not forget or abandon it.

The orphan works problem was created in large part by the elimination of formalities that resulted from the United States' accession to the Berne Convention. Congress further exacerbated the problem by extending the term of a copyright to life of the author plus 70 years (95 years in the case of corporate owners). Textile and home furnishings companies who have thus been granted 95 years to commercially exploit their designs should not be stripped of their rights by reintroducing formalities (in violation of international treaties) or legalizing infringement through the "orphaning" of our designs.

The Copyright Office, in its orphan works proposal, stated "for authors and copyright owners, marking copies of their works with identifying information is likely the most significant step they can avoid the work falling into the orphan works category." While good advice, it is also naïve because it ignores certain market realities. Although aware that this is no longer a legal requirement, F. Schumacher -- like other NTA, DFA, ACT and HFPA member companies -- always prints a copyright notice on the selvedge of its printed fabrics. Additionally, the copyright notice appears on its fabric sample books as well as on individual sample tickets. However, it is not technologically possible to imprint a copyright notice on woven fabrics because the borders, or selvedges, are structural elements, nor on rugs or wallpapers as these products do not have a selvedge and putting the notice on the products themselves would deface the designs. Even if printed on the back of wallpaper, the ink would bleed through the other side when pasted to the wall and ruin the product. Nevertheless, a copyright notice is placed on the sample books and on the labels that are inserted under the wallpaper shrink-wrap or stapled to the rugs. Despite all these precautions, unscrupulous users can all too easily cut off a fabric

selvedge or remove a ticket, thus creating instant "orphans" out of these designs. Additionally, the selvedges are routinely cut off most fabrics during the manufacturing of upholstered furniture, so even a well-intentioned user would be unable to access the copyright information with reasonable facility.

The proposed orphan work legislation is not a solution to an "orphan works" problem. Instead, it is a blueprint for a radically new copyright law. The inability to distinguish between abandoned copyrights and those whose owners are simply hard to find (because someone else removed the copyright notice or because the Copyright Office does not have a searchable database of visual designs) is the Catch-22 of the Orphan Works project. This legislation would orphan millions of valuable copyrights that cannot otherwise be distinguished from true orphaned works – and that would open the door to commercial theft on an unprecedented scale.

Remember that these designs have extensive commercial value. A true orphaned work does not. This legislation will catch an innumerable number of valuable and well-managed copyrights in an orphan works net.

The orphan works problem can be and should be solved with carefully crafted, specific limited exemptions. An exemption could be tailored to solve family photo restoration without gutting artists' copyrights, for example. Limited exemptions could be designed for documentary filmmakers, libraries, and archives.

At a minimum, any orphan work legislation should exclude from its reach any pictorial or

graphic work that was initially created for commercial exploitation or was at any time commercially exploited (such as textile designs), as such works are NOT orphan works. The fact that a work is embodied in a useful article (as defined in Section 101 of the Copyright Act) when first discovered by the infringer should be prima facie evidence that such work was created for commercial exploitation (or was commercially exploited) and should remove it from the ambit of the orphan work definition. So for instance, a design found on a fabric curtain (a useful article) could not be deemed "orphaned" since it was obviously created for commercial exploitation or was commercially exploited.

"Reasonable Search" is Meaningless in the Absence of a Searchable Digitized Database

Members of this Subcommittee know all too well that Asia is a major source of illegal copies. An orphan work proposal will only further embolden these copyright violators, most of whom are not subject to U.S. jurisdiction, to steal our designs, claim them to be "orphaned" and resell them to unsuspecting (or unquestioning) buyers who will rely on the infringer's claim of a "reasonable search". This scenario is not far-fetched. A buyer for a large chain of mass-market goods travels to China to buy low-priced, high-volume poly/cotton sheets. The buyer looks through the Chinese mill's inventory of designs and selects one to his liking. The buyer inquires if the Chinese mill owns the copyright in the design. The Chinese mill states that the design is "orphaned," that it did a "reasonable search" but could not locate the copyright owner. The Chinese mill presents the buyer with a document stating that it did an on-line search of the Copyright Office's text database as well as a Google word search, but could not come up with any results. The buyer is satisfied and imports a million units of the infringing sheets into the

United States. The rightful copyright owner, who may be a small business, becomes aware of the infringement but does not have the financial resources to fight a copyright infringement claim against this large chain, who offered to pay a "reasonable compensation" of $0.10 per unit, not enough to cover the copyright owner's legal fees, let alone lost profits.

For over a century now, F. Schumacher has registered hundreds of designs each year with the Copyright Office, at considerable expense. Many of these designs have since lapsed in the public domain, but many more are still protected by a copyright. Multiply our experience by the hundreds of other DFA, ACT and HFPA companies and add in the member weavers of NTA, each of whom registers over 1000 designs per year and has for decades, and the scope of the investment becomes clearer. Yet, the Copyright Office effectively hides these registrations because it has never implemented technology or created a manual index to effectively search works of visual art. It is unconscionable for Congress to try to impose millions of dollars of costs on individual companies, many of which are small businesses, insisting that each company fund and create its own electronic database, consisting of thousands of designs, which database would need to be updated on a continuous basis, when even the Copyright Office has found it too onerous to do.

It is simply not feasible for individual companies to create a searchable and indexable database containing every visual image. It would have to be an all-encompassing, comprehensive database, because – unlike other copyrighted work – visual art is not limited to a single industry or medium. For example, a textile design can be infringed when it is stolen for use on a dinner plate, on stationery, on gift wrapping paper, on a holiday card, on wallpaper,

album cover, or coffee mug. So if a rug manufacturer wanted to use a particular design, in order to diligently search, it would need to contact not just thousands of rug companies, but also companies in all related and unrelated industries where the design may have originated, e.g. wallpaper, textile, greeting cards, apparel, bedding, computer software, and so on. And to think that all these radically disparate groups will form a single trade association to catalog their designs (as if that were even technically and economically possible) is totally unrealistic.

Many home furnishings companies currently have web sites with a searchable database of their product designs. However, these designs are catalogued based on categories established by each individual company. In order to do an effective search, one needs to know the name of the pattern or the exact category in which it falls, e.g. small floral, Asian, chinoiserie, toile, geometric. Of course, each company may use different terminology, making a relevant search more difficult. For instance, a recent search of the on-line database of F. Schumacher, Kravet and Robert Allen (all decorative fabric companies) for geometric/contemporary/abstract designs revealed over 8,000 hits. A user would then have to view all 8,000 hits to determine whether the design she wanted to use belonged to one of these companies. And she could still come up empty-handed because these databases only contain active designs (those currently in the line and not archived) or the pattern in question may actually be contained in a wallpaper database, or the searcher may not have use the proper search categories. Under these scenarios, would it be determined that the user conducted a reasonable search? What if she had only searched one database or viewed only 100 images?

Moreover, image-recognition technology for complex pictorial designs, such as textiles

and rugs (which are three-dimensional engineered products because of the weaving process), does not exist. A text-based index of visual art is likewise practically impossible. Each individual member company within NTA and DFA alone probably has thousands of designs containing a stylized version of the rose. To describe the differences in each design would require a full paragraph and countless hours of a person's time for each design ("a stylized rose flower with five petals and five sepals on every other flower and four petals on the remainder, with vines interlocking each flower, and a ring of stamens surrounding the pistils, on a pansies toss background...."). Even if such a detailed description were drafted, it would be practically useless, as most people wouldn't even recognize the particular type of flower depicted on the fabric, and would just search for "flower," resulting in millions of results.

The proposed legislation is arguably an "aggressive opt in" copyright regime for visual artists, requiring them to spend millions of dollars and hours in a probably futile effort to catalog every image known to man. F. Schumacher, like other textile companies, has already spent considerable amounts of money to create a searchable database of some of its designs on its website. It costs approximately $50 to scan each design and create item master tags to ensure that the designs are catalogued and retrievable in a search. Some fabrics, due to the nature of the fiber (high sheen silks or velvets) cannot be scanned, so they must be photographed at an average cost of $100 per design. The higher the image resolution, the higher the cost. Woven textiles are particularly tricky because of the three-dimensional nature of the weaves, and even a scanned image may not make the pattern easily identifiable. The cost of digitizing and cataloguing a single company's entire archives of copyrighted images would be in the millions. Yet, this would not ensure a successful search because unless a user were able to scan the desired image

against other images in the database, the user would be confronted with millions of images to review manually. Because there is no practical way to search for visual art, the end result is that the majority of visual artwork is likely to be deemed orphaned. In other words, as far as visual art is concerned, almost any search is likely to be deemed reasonably diligent, even if that search has essentially a zero chance of actually identifying the copyright owner.

If an exclusion is not granted for pictorial or graphic work created for commercial exploitation, then, at a very minimum, the proposed orphan works legislation should put the onus on the Copyright Office to develop a comprehensive database of pictorial, graphic and sculptural works, going back to 1978, that is fully searchable through effective image-recognition technology. The Copyright Office, as the repository for visual art since the 1800's, is the natural location for and guardian of such a database, especially since it already receives (and previously received) deposits from copyright owners, and Congress can appropriate funds to that end. Any orphan works legislation should not come into effect until two years after the Copyright Office has successfully demonstrated and certified to Congress that it has implemented such searchable database.

The Legislation Contravenes Existing International Treaties

By imposing a "reasonable search" standard that includes a search of the U.S. Copyright Office, Congress is essentially signaling to copyright owners that they **must** mark their creations with a copyright notice and register their copyrights to be accorded some protection. This appears to be in direct violation of The Berne Convention and the WTO's Agreement on Trade-

Related Intellectual Property Rights with respect to marking and registration requirements and the conditions under which compulsory licenses may be granted.

"Reasonable Compensation" Is Meaningless Unless Attorneys Fees or Statutory Damages Are Awarded

The proposed legislation would require an infringer to make a good faith offer for reasonable compensation. But if a user would have to pay reasonable compensation before the infringement, and would have to pay the same amount afterward, what is the incentive to really avoid infringement in the first place? In short, none. And what is good faith and what is reasonable compensation? Design fees and royalties vary considerably depending on the industry, the intricacy of the design and the prominence of the designer. And how are you to be compensated for the damage to your image and reputation (and loss of business) if your high-end, exclusive designs end up on low-quality, mass-produced goods? Reputational damage does not figure in this "reasonable compensation" scheme. The orphan works proposal is, essentially, a mandatory licensing scheme since, in many instances, the copyright owner would not have agreed to license its design.

Moreover, by allowing anyone to use a protected work simply by failing to locate the author, the law effectively prohibits the granting of an exclusive license. Exclusive licenses in many industries, like textile design, are paramount to a company's success. Many members of NTA and DFA have several long-term, lucrative exclusive license agreements that would be jeopardized by this legislation if their licensees could not be ensured true exclusivity of designs.

This legislation would remove any meaningful remedies for infringement, which are the only means that copyright owners have of enforcing their copyrights.

Injunctive Relief

The proposed legislation (as introduced in the last Congress) does not require immediate cessation of the infringing uses. Too often a store will continue selling the infringement because it hasn't found it "convenient" to divert employees to pulling the infringements off the floors. It is never convenient, and a sharp incentive must be provided in order for the infringing use to cease expeditiously. Additionally, if the infringer incorporated a design into a new work, thus creating a derivative work, injunctive relief would not be allowed as long as the infringer agreed to pay a "reasonable compensation" and to provide the copyright owner with attribution. Again, this is tantamount to a compulsory license or legalized infringement, usurping a copyright owner's right to withhold consent to the use of its work. It is easy to imagine a beautiful fabric design being defaced and incorporated into a tasteless, mass-market derivative work, and the true owner would be powerless to stop it as long as "reasonable compensation" were offered. To add insult to injury, to avoid injunction, the infringer would simply have to give the owner attribution, thus associating its name with a product it does not approve of, and the infringer would own the copyright in this derivative work!

Conclusion

While the textile and home furnishing industry is not opposed to an orphan works solution targeted to the specific concerns of the not-for-profit institutions and specific categories

of copyrighted work, we urge members of this Subcommittee to take a tailored approach and consider the impact of any legislation on the visual art industries. We have attached sample legislative language (based on the bill that was introduced in the last Congress, known as H.R. 5439) which would exclude from the reach of orphan works certain categories of visual works, while providing the relief sought by cultural and other not-for-profit institutions.

At a time when the American economy is in a recession and the textile industry is facing increased threats from foreign competition that resulted in the bankruptcies, and resultant job losses, of the two largest American upholstery fabric weaving mills just last summer, we urge Congress not to strip the American textile and associated industries from their one competitive advantage – their intellectual property.

Mr. Chairman, Ranking Member Coble and members of the Subcommittee, I again thank you for the opportunity to bring the concerns of the textile and home furnishing industry to your attention as you attempt to balance the interests of copyright owners and users.

EXHIBIT TO PREPARED STATEMENT
OF THE NATIONAL TEXTILE ASSOCIATION
AMERICAN MANUFACTURING TRADE ACTION COALITION
DECORATIVE FABRICS ASSOCIATION
ASSOCIATION OF CONTRACT TEXTILES
HOME FASHION PRODUCTS ASSOCIATION

BEFORE THE

HOUSE JUDICIARY SUBCOMMITTEE ON COURTS, THE INTERNET AND INTELLECTUAL PROPERTY
UNITED STATES HOUSE OF REPRESENTATIVE

PROPOSED AMENDMENTS TO ORPHAN WORKS BILL
(PREVIOUSLY, H.R. 5439)

MARCH 13, 2008

- **Add a new Section 514(a)(1)(A)(iii) –**

"(iii) was and continues to be subject to the jurisdiction of the courts of the United States; and"

- **Add a new Section 514(a)(1)(A)(iv) –**

"(iv) filed a Statement Prior to Use as described in paragraph (2); and"

- **Add a new Section 514(a)(2)(D) -**

"(D) STATEMENT PRIOR TO USE -- Prior to using a work for which the infringer seeks a limitation of remedies under this title, the infringer shall file a statement under penalty of perjury, in a form to be developed by the Register of Copyrights, with the Copyright Office detailing the steps taken as part of the reasonably diligent search and the results obtained from the search. The Register of Copyrights shall develop and maintain a database of all filed Statements Prior to Use, which database shall be available to the public, including through the Internet, and shall be searchable by both text and image-recognition search technology. The Statement Prior to Use shall contain, at a minimum, --

"(i) the name and contact information for the person or entity making the search,

"(ii) a list of all information about the work known by the person filing the Statement Prior to Use at the time the Statement is filed, including the medium in which the work was embodied when found by the infringer,

"(iii) in the case of a pictorial, graphic or sculptural work, a digital copy of the work, and

"(iv) a list of the search criteria used in performing the search."

- **Add new Section 514(a)(3) –**

ALTERNATIVE # 1 (Preferred):

"(3) EXCEPTION. Notwithstanding anything contained in Section 514 to the contrary, the limitations on remedies contained in subsection (b) shall not be applicable with respect to the use by an infringer of any copyright in a pictorial, graphic or sculptural work that was initially created primarily for commercial exploitation or was at any time commercially exploited by or on behalf of the copyright holder, except where use by such infringer is primarily for charitable, religious, scholarly or educational purposes and the infringer is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code or a person working on behalf of such tax-exempt entity. The fact that a work is embodied in a useful article (as defined in Section 101) when first discovered by the infringer shall be prima facie evidence that such work was created for commercial exploitation or was commercially exploited. "

ALTERNATIVE # 2:

"(3) EXCEPTION. Notwithstanding anything contained in Section 514 to the contrary, the limitations on remedies contained in subsection (b) shall not be applicable with respect to the use by an infringer of any copyright in a pictorial, graphic or sculptural work that was initially created primarily for application on a useful article (as defined in Section 101) or was at any time embodied on a useful article by or on behalf of the copyright holder, except where use by such infringer is primarily for charitable, religious, scholarly or educational purposes and the infringer is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code or a person working on behalf of such tax-exempt entity."

- **Add a new Section 514(b)(2)(F) –**

"(F) INAPPLICABILITY TO IMPORTATION OF INFRINGING GOODS – No infringer who imports infringing goods in violation of Section 602 shall be eligible to seek the limitations on remedies under section 514 in case involving such goods."

Mr. BERMAN. Ms. Coe?

TESTIMONY OF KAREN C. COE, ASSOCIATE LEGAL COUNSEL, UNITED STATES HOLOCAUST MEMORIAL MUSEUM, WASHINGTON, DC

Ms. COE. Chairman Berman, Ranking Member Coble, and Members of the Subcommittee, thank you for inviting me to speak this morning about our museum's experience with Orphan Works.

My comments will also reflect the experiences of other museums, archives, libraries, and educational institutions that have previously submitted comments to you and to the Copyright Office on the Orphan Works project.

I also want to thank Marybeth Peters and the Copyright Office for its comprehensive report on Orphan Works and for providing multiple opportunities for public comments and discussion of the issue.

The United States Holocaust Memorial Museum has acquired and currently maintains 42 millions pages of archival documents, 77,000 photographs, and 985 hours of historical film footage.

The majority of these materials are foreign works. Many of them are unpublished works, and many of them are orphan works. The museum acquires its orphan works in many different ways.

We recently acquired an album of photographs that was found in an apartment in Germany after World War II. The individual who found it kept it until shortly before his death when he gave it to the museum. The photographer is unknown.

The museum has been given drawings made by children of the Darfur region in the Sudan. We don't know who these children are, where they might be located, or if they are still alive.

The museum has obtained journals and musical scores that were created in concentration camps and given by their creators to other inmates for safe keeping, and these surviving custodial inmates or their families have given them to the museum.

We don't know whether the authors or composers are dead and, if so, who or where their family or other heirs might be.

When our staff wants to use one of these orphaned works in a manner that requires copyright permission, we ask them to conduct a diligent, good-faith search to identify and locate a copyright owner.

Because of the great variety of circumstances in which our works have been created and obtained, we allow our staff flexibility to structure these searches on a case-by-case basis.

But often even a diligent search is not successful. The museum is, therefore, the custodian of a significant number of works that will not be made available to the public unless the museum assumes the risks of a copyright infringer.

And even though these risks may be minimal, they are not ones that we can responsibly assume and they, thus, have a chilling effect on all our decisions regarding the use of orphan works.

It is for this reason that we are interested in an Orphan Works solution that includes a safe harbor, a point at which we can consider making these materials available to the public in a variety of programs and media with the confidence that we are also not exposing the institution to an unknown liability.

The museum is always prepared to negotiate with a copyright claimant who may come forward to claim rights to an orphan work, but because the work may have already been published by another publishing house or by the museum as part of a collective work, it is not always possible for us to stop using the work immediately.

We, therefore, like to have a choice to either stop the use or to continue the use and pay a reasonable compensation to the copyright claimant if his claim proves to be valid. For, like other museums and nonprofit cultural institutions, the museum is more than willing to compensate copyright owners.

Our interest in an Orphan Works solution is not because we want to avoid these license fees; but the compensation does need to be reasonable. It needs to account for the fact that our works have a small and limited market among educators and scholars and that many of them would not be published at all if they were not published by the museum.

Thank you again, Mr. Chairman and Members of the Subcommittee, for providing me this opportunity to comment on the Orphan Works problem.

The authority to make these works available to the public in a legitimate and constructive manner will be very helpful to the museum in enabling the use of its current and future collections to further its educational memorial purposes.

[The prepared statement of Ms. Coe follows:]

PREPARED STATEMENT OF KAREN COE

Statement of Karen Coe
Associate Legal Counsel
United States Holocaust Memorial Museum

Subcommittee on Courts, the Internet, and Intellectual Property
Committee on the Judiciary
U.S. House of Representatives

March 13, 2008

Chairman Berman, Ranking Member Coble, and Members of the Subcommittee:

My name is Karen Coe. I am the Associate Legal Counsel of the United States Holocaust Memorial Museum (Museum) and will be speaking today about the Museum's experience with orphan works. My comments will also reflect the experiences of other museums, archives, libraries, and educational institutions that have previously provided comments to you and the Copyright Office about the problem of orphan works, and their comments will provide the background for my statement today.

I wish to thank the Copyright Office for its thorough and comprehensive Report on Orphan Works[1], for dedicating extensive time and resources to its preparation, and for providing multiple opportunities for public comment and discussion of this issue.

The United States Holocaust Memorial Museum is an independent establishment of the United States Government.[2] It was established by Congress to operate and maintain a permanent living memorial museum to the victims of the Holocaust. In its Permanent Exhibition, the Museum presents the history of Holocaust through pictorial accounts, films, and other visual exhibits. The Museum also houses a library, an archive of Holocaust materials, to enable the general public and scholars to study the record of the Holocaust. It contains an educational unit to disseminate knowledge and understanding of the Holocaust in all sectors of society, and it has a publishing program, with priority given to new works, survivors' accounts, and documentary or photographic publications, with an emphasis on scholarly studies that are not commercially viable.[3]

Since its establishment, the Museum has acquired and currently maintains approximately 42 million pages of archival documents, 77,000 photographs, 9,000 recorded oral histories, 985 hours of historical film footage, and its library contains 72,000 items in 55 languages. The majority of these materials are

[1] U.S. Copyright Office, Library of Congress, Report on Orphan Works: A Report of the Register of Copyrights (2006).
[2] 36 U.S.C. §2301 (2001).
[3] President's Commission on the Holocaust, Elie Wiesel, Chairman, Report to the President 9 – 10 (1979).

foreign works, many of them are unpublished works, and many of them are orphan works.

Like other museums and archives, the Museum acquires orphan works in many and diverse ways. We recently acquired an album of photographs that was found in a hotel room in Germany after World War II. The individual who found it gave it to the Museum shortly before his death. The photographer is unknown. We have received a diary that was written in a Polish ghetto by a young woman who did not survive the war, but we do not know the whereabouts of surviving family members or other heirs. The Museum has obtained artwork and even musical scores created in concentration camps that were given by their creators to other inmates for safekeeping and these surviving inmates or their families brought them to the Museum. It is not known whether the artist or the composer is dead and, if so, who or where his family or other heirs might be.

When a member of the Museum's staff calls me or one of my colleagues in the General Counsel's office to ask if they can make such orphan works available to the public in a manner that requires copyright permission, our first response is to ensure that they conduct and document a good faith search to identify and locate the copyright owner. If the copyright owner is known, a good faith search might require sending a certified letter, return receipt requested, to the copyright owner at his last known address. It might require searching a number of online databases to obtain a more recent address or to confirm that the copyright owner has died. If the copyright owner is not known, it might require going back to the Museum's source for the work to obtain more facts about how and from whom our source acquired the work and then to contact those sources. Quite often a good faith search will require all of these efforts.

The methods of conducting these good faith searches will vary, depending on whether the orphaned work is a painting, a book, or a collection of photographs, whether it has been published or unpublished, and whether it is a work of foreign origin or a domestic work. And each search will be different because we typically have varying levels of information about the circumstances in which each orphan work was created.

Because of these different circumstances and levels of knowledge, it is important to the Museum and other museums and cultural institutions that we have the flexibility to structure a good faith search on a case-by-case basis. Guidelines, minimal requirements, and research suggestions and tools will be very helpful to all of us, especially to smaller institutions and individual creators and scholars. But the ability to structure a search appropriate for the unique circumstances of each orphan work or each class of orphan works is critical to the success of these searches.

Often even a diligent, good faith search is not successful: a copyright owner is not identified, or he is identified but cannot be located. We then have to decide

whether to allow the work to be used in spite of the risk of copyright infringement. If there is another work that can be substituted for the orphan work, we will require that this be used instead and we can thus avoid the risk of infringement without compromising the integrity of the intended use. If a work is historically or culturally unique, we might allow it to be used but in doing so we expose the Museum to an unknown liability. Even if the risk is minimal, we do have to account for the fact that only one lawsuit or one public allegation of infringement could have a permanent, negative impact on the institution. Thus even a minimal, unknown risk has a chilling effect on all our decisions regarding the use of orphan works.

It is for these reasons that we are interested in the "safe harbor" that is proposed in the Report. It would allow the Museum to explore how to make these works available to the public in accordance with our statutory mandate without assuming a risk of liability, and it will allow the public access to works of considerable historical and cultural significance.

In the few circumstances that we allow an orphan work to be used, we are prepared to negotiate with any copyright claimant that comes forward. Because the work may have already been published in an academic journal or by a small university press whose publication of the work the Museum has sponsored, it is often difficult for us to stop its use expeditiously. It also may be that the copyright claim proves to be invalid: the claim cannot be verified or it is contradicted by other provenance or copyright information that we have. We would therefore appreciate the flexibility to continue the use of the work or not and, if we choose to continue the use, to pay a reasonable compensation to the copyright claimant whose claim proves to be valid.

Like other museums and nonprofit cultural institutions, the Museum is quite willing to reasonably compensate a copyright owner for the use of his work. Our respect for the integrity and the cultural and historical value of the works that we collect carries over to their creators, and we consider it part of our public service to recognize and reward artists and authors who would otherwise not be noticed or compensated.

However, the license fees that the Museum pays to use copyrighted works for its program purposes do have to be reasonable. They have to account for the fact that while the Museum's works have considerable historical and cultural value, they are rarely works of intrinsic artistic value such that they could compete in a fine arts market. A reasonableness determination should also account for a nonprofit cultural institution's large scale use of individual works in a single collection.

For example, the Museum has one collection on display in its permanent exhibition that consists of 1,500 family photographs. Each one of these photos alone has minimal value for the Museum, but the entire collection creates a

moving image of a community that was destroyed in the Holocaust. It would not be reasonable to value this collection per individual photograph; rather, it should be valued in its entirety. It also would not be reasonable to value this collection as comparable with a collection of Ansel Adams photographs; they are family photographs and, but for the Museum or another Holocaust museum, they would likely not have been made available to the public at all. In this context, as the Report has suggested, reasonable compensation to the copyright owner of one of these photographs might well be zero.[4]

The Museum does not charge admission fees to its exhibitions, but most private, nonprofit museums must charge fees to defray their costs. The Museum does sell books and other materials in a small museum shop and it receives royalties on the sale of works published under its sponsorship. However, because the Museum's publishing program gives priority to scholarly works that are not commercially viable,[5] the Museum typically loses money on these projects – it expends more money than it receives and frequently passes on all or a portion of its royalties to an outside author. Our published works are typically priced quite modestly and have a limited distribution among scholars and educational institutions. For these reasons, like many of the nonprofit institutions that have previously commented on this point, we do not want to be forced to discontinue use of the work because the compensation required for its continued use is not reasonable within the context that I have just described.

As noted earlier, the majority of the documents, photographs, and artifacts in the Museum's collection are works of foreign origin, and the Museum anticipates acquiring even a greater number of foreign works in the coming years. We expect to soon acquire approximately 35 – 50 million pages of documents from the International Tracing Service in Germany, and in recent years the Museum has acquired many documents from Eastern European countries that were once part of or dominated by the former Soviet Union and had closed their archives to public access. A solution to the problem of orphan works that does not account for our international treaty obligations would be of minimal use to the Museum and other museums with extensive collections of foreign works.

Mr. Chairman and Members of the Subcommittee, I thank you for this opportunity to comment on the orphan works problem. The authority to make these works available to the public in a legitimate and constructive manner will be of considerable value to the Museum in enabling the use of our current and future collections in furtherance of our educational and memorial mission.

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[4] Report at 117-118.
[5] See note 3.

Mr. BERMAN. Thank you, Ms. Coe.

And Mr. Perlman?

TESTIMONY OF VICTOR S. PERLMAN, GENERAL COUNSEL AND MANAGING DIRECTOR, AMERICAN SOCIETY OF MEDIA PHOTOGRAPHERS, INC., PHILADELPHIA, PA

Mr. PERLMAN. Mr. Chairman, Ranking Member Coble, distinguished Members of the Subcommittee, thank you for this opportunity to present our views on Orphan Works problems and solutions.

Our testimony today is made, not on behalf of ASMP alone, but on behalf of the Professional Photographers of America, the Graphic Artists' Guild, and virtually every other major trade association in the United States representing the interests of freelance photographers and/or commercial artists and illustrators.

We estimate that in the United States there are approximately 100,000 such photographers and at least as many illustrators and artists. I should specify that we support today's testimony and statements of Corinne Kevorkian.

ASMP believes that the Orphan Works problem is a legitimate one that needs to be addressed. It is our hope to help enrich this Nation's visual heritage and foster creativity, not to stifle them.

Many of us in this room have spent a large part of the last 3 years, at least our professional lives in the last 3 years, working on Orphan Works. And it is important to us of us to get this legislation done, but it is more important that we get it done correctly and fairly.

To do that, the Subcommittee needs to understand some of the you factors relating to visual images and their creators. Most photographers are mom and pop operations with limited resources and no backup.

The Department of Labor tells us that the average professional photographer earns under $40,000 a year. They rely on the revenues from licensing the uses of their works and selling print. They, obviously, have little or no reserve resources of any kind.

One of the effects of that limited resource is that the reality is that they cannot afford to litigate copyright infringement cases even if the copyrights are registered before the infringement. Most states codes of ethics for lawyers require the client to pay out-of-pocket expenses rather than the attorney. And most photographers simply do not have the resources to pay the out-of-pocket expenses, let alone the legal fees involved in infringement. The fears of mass suits for copyright infringement are terrifying but illusory.

Another fact is that most published imaged are likely to be considered orphan works. The business model, which is not controlled by the photographers or the illustrators dictates that either no credits are given, or where they are give they are physically distant from the images and are easily separated from them or lost, even innocently.

Making the problem worse, there is no way to search the Copyright Office records for visual images in a meaningful way unless the searcher already has the very information for which he or she is searching.

The search technology is text-based only. There are no deposit copies accessible online, and there is no digital library of an archive of deposit copies that could be searched using image-recognition software.

Even the wonders of image-recognition software, which my friend Maya will tell you about, would only be a partial cure because digital search technology only works on the data to which it has access. That means that it works fine for digital images that are online and on Web sites that are open to the public.

The problem is that there are far more copyrighted images in analog print form than digital form. Millions, perhaps even billions, of images, and most of the images that are likely to be considered orphan works are probably the older images in print form only.

They can only be searched digitally if they are digitized. And as I have made pretty clear, the photographers and illustrators simply do not have the resources to be able to digitize much of a lifetimes' body of work when they have to eek out a living.

Where does that leave us? ASMP and the creative community want to encourage, not stifle, individuals, nonfiction authors, documentarians, and museums. They are not our concern.

Our concern is that there are opportunists who will seize on the Orphan Works defense and the practical inability of creators to pursue them in court to establish commercial ventures making profits from the images of others without permission and without having to pay for their inventory.

These are the people who registered domain names like OrphanWorks.com two or 3 years ago. In the last Congress, the parties came to a deadlock, which we think can easily be broken. In our view, the problem stemmed from the fact that Orphan Works legislation had a fairly specific goal but the wording of the bill was all-encompassing.

As we understand it, the impetus for Orphan Works legislation was not to create a land rush for copyrighted works, but to create reasonable access to orphan works for certain kinds of uses; such as for hobbies, social Web sites, not-fiction publications, documentary films and videos, museum exhibits, and other, what we will call for lack of a better work, non-commercial uses.

However, the bill, as drafted in the last Congress, would have allowed virtually any kind of use to qualify for an Orphan Works defense. Our proposal is simply to limit the scope of an Orphan Works bill to cover the primary intended uses and only those uses.

Specifically, we would proposal inserting an additional requirement to the conditions for eligibility which would be that the infringing use of the work constituted a "qualifying use."

We would then have a definition of qualifying use that would be something along the lines of uses by individuals for non-revenue producing personal or community purposes including uses on Web sites that do not generate revenues for the individuals using the orphaned works; uses in works of nonfiction such as books, articles, documentary films and videos; uses by nonprofit educational institutions, libraries, museums, or archives qualified for treatment under section 501(c)(3) and exhibits, including Web site displays and for uses that produce revenues and that are ancillary to exhibits such as souvenir sales.

Mr. BERMAN. Mr. Perlman, your time is winding down here.

Mr. PERLMAN. The exact language needs to be refined, but that is our concept, and we hope that that will help move this process along.

[The prepared statement of Mr. Perlman follows:]

PREPARED STATEMENT OF VICTOR S. PERLMAN

Mr. Chairman, Ranking Member Coble, and distinguished members of the Subcommittee, thank you for the opportunity to present our views on the Orphan Works problem and solutions.

Introduction.
The American Society of Media Photographers' mission is to protect and promote the interests of professional photographers who make photographs primarily for publication. ASMP is the oldest and largest trade association of its kind in the world. ASMP's testimony today is made on behalf, not of just ASMP and its members, but of every major trade association in the United States that represents the interests of freelance photographers, including Professional Photographers of America, as well as major organizations representing freelance commercial artists and illustrators.

ASMP believes that the Orphan Works problem is a legitimate one that needs to be addressed. It is our hope to help enrich this nation's visual heritage and help foster creativity, not to stifle them. In the last Congress, we participated in the drafting of legislation in this Subcommittee that approached creating a fair and workable solution. However, the last version of that legislation, before it was withdrawn from consideration, fell somewhat short of adequately addressing the unique challenges presented by visual artworks. Many of us in this room have spent a large part of our professional lives working on Orphan Works over the past three years. It is important to all of us to get this legislation done, but it is more important that we get it done correctly and fairly.

Orphan Works = Most Published Images.
For professional photographers and illustrators, unless crafted properly, Orphan Works legislation creates the potential for having the practical effect of both retroactively and prospectively invalidating copyright protection for the majority of published images. Worse, unless accompanied by provisions that would give creators a practical means of compelling recovery of reasonable licensing fees, Orphan Works legislation could compound that felony by leaving no viable way to obtain even the minimal relief contemplated by the legislation that was introduced in the last Congress.

The phrase "Orphan Works" is insidiously misleading. It connotes a few, neglected items that have been abandoned in some fashion and has no one to care for them. In fact, however, Orphan Works legislation would probably affect a majority of all published photos and illustrations. In order to be located, a copyright owner must first be identified, and most published images simply are not published with any identifying information. In the digital world, for example, there is virtually no photo credit or other attribution provided for visual images published at client or third-party sites on the web; worse, industry service

providers, such as PicScout, estimate that 90% of the photographs on the web are unauthorized uses.

In the print world, there are no photo credits given by clients for most published images; the only exception is for editorial uses, and even there, the use of credit lines is declining. Further, when editorial photo and illustration credits are provided in print media, they usually appear in places that are not physically adjacent to the images, such as the bottoms of pages, credit lists at the backs of publications, and in the "gutters" of bound publications. All of those locations make it difficult to associate an image with the name of its creator and make it easy for the credit to be completely detached from the image and lost.

These trade practices are counter to the desires of photographers and illustrators, are usually counter to their contracts with their clients, and are completely beyond the control of the image creators. Freelance photographers and illustrators want very much, and try very hard, to be found: that is how they earn their livings. If clients and prospects cannot find them, they do not work. However, their clients, the users of the images, are the ones with the market force to dictate the business practices, and providing meaningful image credits is not in their interest. Indeed, it could be argued that the users of images have a self-interest in helping to create as large a pool of Orphan Works as possible, thereby building an inventory of images that could be used for either zero or little compensation.

Incorrect Assumption.
One of the problems underlying Orphan Works legislation, as applied to the world of visual images, stems from the fact that, at least in the last Congress, the starting point was the legislation proposed in the Copyright Office's report on Orphan Works. That report, and the Copyright Office's proposed legislation, were based, at least in part, on a fallacious assumption: page 115, the Copyright Office Report on Orphan Works states, ".... <u>if a work is registered it is unlikely that the copyright owner is unlocatable through a diligent search</u>." This statement is simply and completely incorrect when applied to visual images. There is no way to search the Copyright Office's records for an image unless the searcher already knows the name of the creator or copyright owner, and that information is precisely what someone is searching for when trying to track down an Orphan Work.

Digital Search Technology and Databases.
The Copyright Office's search capability is limited to text searches for very limited fields. Recently, it has become technologically possible to digitize the Copyright Office's archive of deposit copies and utilize image recognition software to allow someone to search by image, not just by text. In fact, the Library of Congress, of which the Copyright Office is a part, is currently in the process of digitizing its archive of images.

In the two years since the introduction of Orphan Works legislation in the last Congress, the interested parties, the Copyright Office and Congressional staff have spent a lot of time looking at the state of technology and the impact that it can have in dealing with the Orphan Works conundrum, particularly with regard to visual images. At the same time, ASMP has been working with software providers such as Adobe in an attempt to protect the metadata that is so crucial to identifying and locating copyright owners in the digital world. There have been discussions of image-recognition digital search technologies, on-line registries, digital databases, etc.

Unfortunately, digital storage, identification and retrieval technologies are only one half of the equation. They are not worth anything, unless they have the proper body of work in which to search, i.e., unless, as they say in the computer world, the database has been adequately populated. Because, in recent years, we tend to think in terms of a digital world, we forget the fact that there are uncounted millions, perhaps billions, of visual images that were created in conventional or analog media and that have not been converted to or stored in digital media. Digital search technology simply does not operate in the analog world.

For digital search technology to provide a meaningful solution to the Orphan Works problem, uncountable numbers of images have to be edited; then they have to be scanned into digital form; then the digital scans have to be "corrected" to match the analog originals; then the digital files have to be embedded with all appropriate metadata; then they have to be uploaded to the appropriate databases. Only then can image-recognition based digital search technology truly provide a solution to the Orphan Works dilemma.

That raises the question of who can and should do all of the work involved in the steps described above for the millions and millions of images that currently exist only in print form. The user community and the Copyright Office have said that the burden should fall on the creators of those images. Their rationale is that the creator community is the group that would benefit from the work. While that position appears on its fact to have logic on its side, it is actually a red herring. That immense project would not exist in a vacuum: Actually, the trigger for such a project would be a change in copyright law to provide an Orphan Works defense to infringement claims and a limitation on remedies. It is the user community that would primarily benefit from Orphan Works legislation, not the copyright creator or owner communities. Viewed in context, the real beneficiaries of the Orphan Works/digital works database equation would be the user community, not the creators.

To a great extent, who the beneficiaries of such a project might be is irrelevant. The practical reality is that most professional photographers are sole practitioners, and many if not most of their businesses are "mom & pop" operations, where one spouse makes photographs, and the two of them share all

of the other responsibilities. We know from the Bureau of Labor Statistics that a professional photographer earns on average under $40,000. per year. Given those facts, a photographer faced with the choice between finding and keeping clients and producing images for them, on one hand, or digitizing a lifetime's body of analog photographs to protect against possible Orphan Work usage on the other, does not really have any choice at all. That archive of work is likely to remain in analog form, no matter how badly the photographers, artists and other creators would like the situation to be otherwise. When the mortgage, tuition and doctor's bills come due, digitization of the archive will always remain on the wish list.

There is one alternative that would seem to provide a reasonable, albeit partial, solution. The Copyright Office is in the process of implementing an on-line, digital registration service. It would seem logical that the deposit copies that are received digitally could, and should, be searchable on line and that an image-recognition interface could drastically help users of works in search of the author. Further, the Copyright Office has an archive of many years' worth of deposit copies of published images, and even more of unpublished images. Since the Library of Congress has seen fit to digitize its inventory of print images, it would seem logical that the Copyright Office could be given the funding and the mandate to do the same and to make those digital files accessible to on-line searches utilizing image-recognition search technology.

The High Cost of Enforcement.

The Copyright Office has long recognized that visual artists are already deprived of practical access to the courts for enforcement of their rights because of the huge disparity between the costs of litigation and the potential recoveries. Copyright infringement litigation, in ASMP's experience, typically costs the plaintiff legal fees of at least five, and usually six, figures to take a case through to final judgment in the applicable U.S. District Court. The "reasonable license fee" cap on potential recoveries, and the elimination of awards of attorney's fees, statutory damages, and the infringer's profits, which would have been the effect under the Orphan Works bill introduced in the 109th Congress, would limit relief to the point where nobody could afford to seek payment under our current legal system.

Fortunately, the drafters of the Orphan Works legislation that was before this Subcommittee in the last Congress recognized the need to explore alternative ways in which creators and other copyright owners might be able to enforce their rights and directed the Copyright Office to engage in a study of ways to deal with this problem. The creative community greatly appreciates the understanding of this situation that underlay such a provision, and we hope that any Orphan Works legislation introduced in the current Congress will incorporate a similar approach to filling the need for alternative methods of dispute resolution for copyright owners.

The Gordian Knot.
The Orphan Works negotiations involving the interested parties, Congressional staff and the Copyright Office in the last Congress were extremely productive. We believe that the last version of the bill was a drastic improvement over the original proposal from the Copyright Office. Unfortunately, the parties ultimately came to an impasse over certain aspects of the bill, primarily the extent of the so-called "safe harbor." That impasse remained even after the bill was withdrawn.

In the time since then, ASMP has been exploring possible solutions to this problem. We believe that there is a relatively simple away around this roadblock. The creative community's primary concern is that for-profit entities engaged in commercial enterprises will be able to make substantial revenues from using Orphan Works, but will be substantially immune from having to turn over those profits to the copyright owners under the safe harbor and other provisions of an Orphan Works law. We do not wish to prevent hobbyists and other individuals from using Orphan Works, nor do wish to penalize them for doing so. Similarly, we do not wish to impede the advancement of learning, nor do we want to penalize the creators of learning materials and media for their use of Orphan Works.

In an attempt to resolve these potentially conflicting goals, we offer as a suggestion leaving the safe harbor provisions in place along the lines that appeared in the last Congress. Instead of changing the safe harbor provisions, we suggest the possibility of limiting the scope of the Orphan Works defense to:

1. Uses by individuals for non-revenue producing personal or community purposes, including uses on websites that do not generate revenues for the individuals using the Orphan Works; and
2. Uses in works of non-fiction, such as books, articles or documentary films or videos; and
3. Uses by non-profit educational institutions, libraries, museums or archives qualified for treatment under §501(c)(3) of the Internal Revenue Code as amended, --
    a. in exhibits, including website displays, and
    b. for uses that produce revenues and that are ancillary to exhibits, such as souvenir sales in connection with exhibits by such libraries, educational institutions, and archives.

The foregoing suggestions should be considered conceptual in nature, and not necessarily proposed legislative language. We hope that this proposal will contribute to a meaningful dialogue on Orphan Works and will lead to the passage of a fair and workable legislative solution.

Thank you for your time and consideration.

Mr. BERMAN. Great. Thank you very much.
Ms. Gura?

TESTIMONY OF MAYA GURA, DIRECTOR OF MARKETING AND SALES, PICSCOUT, SAN FRANCISCO, CA

Ms. GURA. Chairman Berman, Ranking Member Coble, and Members of the Subcommittee, my name is Maya Gura, and I am honored to testify before you today. I am here representing PicScout, a young technology company based in San Francisco, California, and Israel.

We specialize in image recognition technology and offer image recognition services to our clients who are both copyrighted content owners and users. Our technology can match images or partial information of an image such as a single case of one person in a crowd with 99 percent success.

With approximately 60 employees on board, PicScout was selected by Forbes Magazine to be a part of a "Forbes Israeli E-gang," and we were also named one of 17 most innovative IT companies in Europe. PicScout's leadership thrives on challenges. We have strived to provide both content owners and users with innovative solutions.

For example, we offer advanced web crawling capabilities to help address piracy on the Web and also maintain a massive database of copyrighted digital files through which copyrighted owners can be found. Our proprietary image recognition technology was originally developed for homeland security purposes.

Today, in the consumer marketplace, our flagship product is called the Image Tracker. Image Tracker manages visual content, including photographs, across all media globally and reports to our clients thousands of commercial infringement cases in a month.

Working with the photography industry and the supporting it for the last 5 years, we enable our clients to proactively enforce copyrights of their valued materials by tracking the usage of their beautiful images.

Over the years, we have established relationships with our partners and now track the use of millions of digital files stored in our huge, centralized database. Moreover, we have been extremely proactive about offering our services to photographers of all levels, frequently at very little cost to them in order to encourage them to take action against copyright violations.

We are well aware of the problems of orphaned works in the copyright community and are pleased to be a part of the solution. We believe that PicScout and other technology companies offer many options to copyright owners and users alike, and we will continue to play a significant role.

Technology and market solutions will get better and better as more business models develop. In the past 2 years, various solutions have begun to emerge, targeting, specifically, the orphan works issues.

This is past December, PicScout was honored to present a demonstration of new products of ours, called the Content Clearance System, at a briefing for congressional staff organized by the Copyright Office.

Unfortunately, I am not able to demonstrate our technology for you today, but I would like to describe it to you. The Content Clearance System contains a massive, secured database of innumerable digital fingerprints and their ownership information, robust Image Recognition comparison engine, and a friendly interface for public queries, easy to access using the popular search engines.

When a user unloads an orphan work to our system, it is compared to the full database of stored files and instantly provides an accurate result. This system targets the simple person who wants to use any digital file and doesn't know who it belongs to.

All he has to do is go online, upload this file to our clearance system using our friendly interface, and click on the search button. Our system will compare this file to millions of other files all registered in our secure database, and the user will receive an e-mail certification with copyright owner details, contact, and licensing information.

While performing this reasonable and diligent search at little or no cost at all, the users will have the ability to decide whether they can and want to use this content.

PicScout strongly believes that our technology can have the person who wishes to search for the owner of an orphan work to identify the ownership of the individual file even when the file is highly distorted.

For example, our technology is fully capable of recognizing an image even when large portions of it were deleted or colorized. During our web monitoring process, we routinely identify matches based on small portions of visual content, and I am confident that we could provide the same level of accuracy when orphan works users search our database having only partial materials to work with.

PicScout is happy to be a part of the various technology solutions available to the good-faith user. But even more, I am proud to support the artists and encourage the great creation of art.

Thank you.

[The prepared statement of Ms. Gura follows:]

PREPARED STATEMENT OF MAYA GURA

PicScout

San Francisco, CA

Statement of Maya Gura,

Director of Marketing and Sales,

before the

Subcommittee on Courts, the Internet and Intellectual Property

of the House Committee on the Judiciary

on

The" Orphan Works" Problem and Proposed Legislation

March 13, 2008

Chairman Berman, Ranking Member Coble, and Members of the Subcommittee, my name is Maya Gura and I am honored to testify before you today.

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Today, in the consumer marketplace, our flagship product is called the Image Tracker™. Image Tracker™ monitors visual content, including photographs, across all media globally, and reports to our clients thousands of commercial infringement cases in a month. Working with the photography industry and supporting it for the last 5 years, we enable our clients to proactively enforce copyrights of their valued materials by tracking the usage of their beautiful images. Over the years, we have established relationships with our partners and now track the use of millions of digital files stored in our huge centralized database. Moreover, we have been extremely proactive about offering our services to photographers of all levels, frequently at a very little cost to them, in order to encourage them to take action against copyright violations.

We are well aware of the problem of Orphan Works in the copyright community and pleased to be a part of the solution. We believe that PicScout, and other

technology companies, offer many options to copyright owners and users alike, and we will continue to play a significant role. Technology and market solutions will get better and better as more business models develop. In the past two years, various solutions have begun to emerge targeting specifically the Ophan Works issues. This past December, PicScout was honored to present a demonstration of a new product of ours, called the Content Clearance System, at a briefing for Congressional staff, organized by the Copyright Office. I am not able to demonstrate our technology for you today, but I would like to describe it to you.

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PicScout strongly believes that our technology can help the person who wishes to search for the owner of an Orphan Work to identify the ownership of the visual file, even when the file is highly distorted. For example, our technology is fully capable of recognizing an image even when large portions of it were deleted or colorized. During our web monitoring process, we routinely identify matches based on small portions of visual content, and I am confident that we could provide the same level of accuracy when orphan works users search our database having only partial material to work with.

PicScout is happy to be a part of the various technological solutions available to the good-faith user. But even more, I am proud to support the artists and encourage the great creation of art.

Thank you.

I am happy to answer any questions you may have. Also, although we are on the West Coast, PicScout is available to you for demonstrations or additional meetings if that would be helpful.

Mr. BERMAN. Thank you very much. Very interesting.

We will go now to questions.

I will recognize myself for 5 minutes. Ms. Peters, I understand your proposal would apply to all categories of works and all uses, commercial as well as non-commercial, published as well as unpublished, foreign as well as those originating in the United States.

As a general matter, it does seem like good policy to avoid special carve-outs. That said, in light of some of the concerns that have been expressed, do you think it might be possible to narrow the scope of Orphan Works, perhaps, for example, by excluding works that are applied on useful articles like shower curtains or coffee mugs?

Ms. PETERS. The answer is yes. You could do that. Obviously, when we studied the problem, we certainly saw a broad need for all types of work and all types of productive uses.

That being said, I want to see a bill enacted. And so if, in fact, legitimate concerns have been raised, and the goal with regard to productive uses that increase the knowledge of citizens of the United States, I don't think necessarily that it is a textile design on a cup.

Yes, we certainly are amenable to various proposals that raise legitimate concerns and, if at the end of the day, you can strike a compromise that really achieves the goal that we are trying to reach but does, in fact, limit it to particular uses, I would suggest that all categories of works need to be included.

But you could look at limiting, perhaps, some of the uses.

Mr. BERMAN. It would seem logical that the Copyright Office, which is already supposed to receive, deposit, and handle registration matters would be the natural location for a database of the copyright registry.

What challenges exist in terms of creating—I know this is well, a sensitive subject—but what challenges exist in terms of creating an identifiable, searchable database at the office?

Ms. PETERS. Well, let me start with, since 1978, certainly, all information concerning registered works is available online. It is text-based. Visual arts works: there is an issue because they don't have titles and they don't have the names of authors on them.

But information that we gather when the photograph is registered or the textile design is registered, that information is available online.

The issue really is the copy of the work that comes in. Copies of works, primarily, are to serve the Library of Congress in its acquisition for its collections and exchange program.

The Library of Congress has the ability to, basically, ask for any copy to be transferred to it. The Copyright Office, basically, has most unpublished works, but, if you look at the legislative history, that work is for the registration specialist to determine the type of work, the information that is associated with the work, in order to create a record.

If you were to look at our deposit regulations, they really didn't require a high-quality print in any instances. We accept Polaroids.

So if, in fact, you really want images and you want images to be searchable—which I think a lot of copyright owners would not necessarily want to have generally available—it would be a huge shift

in our mission, and it would be possible, frankly, only going forward; but I would actually submit that the Copyright Office is never the best way to come up with state-of-the-art technology. The private sector, actually, can do it much better than we can.

So I don't think that the cost of employing something like that would really serve the benefit. I see this as a business issue. Everybody needs to license their works. There needs to be a database started——

Mr. BERMAN. PicScout——

Ms. PETERS. Is a perfect example. I think that is where the solution is.

Mr. BERMAN. My last question would be to Mr. Adler. The last question for this round, anyway, would be to Mr. Adler.

You have heard Mr. Perlman's proposal. I would like to get your reaction to it. And then I would like to get Ms. Peters' reaction both to Mr. Perlman's proposal and Mr. Adler's reaction to Mr. Perlman's.

Mr. ADLER. Thank you, Mr. Chairman.

While it would be wonderful, I think, for book publishers to be thought of as opportunists these days, I don't think they are used to hearing that kind of appellation applied to them.

Frankly, I think the problem with the proposal is that in the end, it proves to be too much.

To limit this bill, for example, to nonfiction works would be somewhat ironic since I think that would mean that fictional works, which are actually considered to be——

Mr. BERMAN. You mean memoirs?

Mr. ADLER. Memoirs could be—they are really the most creative category of works. And in some respects, that means that one of the purposes of this bill, which is to allow people to engage in further creativity by the use of preexisting works, would be thwarted if you only allowed them to be used in nonfiction works.

And by limiting the used of the works, for example, with respect to commercial advertising, I wonder what that would mean, for example, to the use of an orphaned work as a book cover photograph, for example.

Does that mean that you couldn't, then, commercially advertise the book because you would also, in essence, be showing the photograph in a commercial ad?

If there was some distinction made between whether or not you are actually using materials in commercial advertising as opposed to whether or not the material is being use in advertising for a work that is using the orphan work, then I think that might be something worth discussing.

But just simply to say that works couldn't be used in commercial advertising, I think, would be far too broad.

Mr. BERMAN. And, then there is also the issue of the for-profit printer of the nonprofit work.

Mr. ADLER. Right. Right. Non-revenue generating activities, of course, I think, would require this Committee to spend a lot of time in the tax code trying to design exactly how they could inaudible that kind of a concept into this——

Mr. BERMAN. Ms. Peters, your thoughts?

Ms. PETERS. My thoughts are similar to Mr. Adler's.

I do commend Mr. Perlman for trying to narrow the scope to something that is more amenable to his members, and I think that if that is the way you want to go, we can try to do it. But the way that it has been presented, it is too broad. It is too broad——a carve-out.

Mr. BERMAN. Mr. Coble?

Mr. COBLE. Thank you, Mr. Chairman.

Good to have you all with us.

Madam Register?

Ms. PETERS. Yes.

Mr. COBLE. How do you respond to Ms. Kevorkian's statement that companies should not be stripped of their rights by reintroducing formalities in violation of international treaties or legalizing infringement through the orphaning of designs, (A), and (B), can you address the assertion that a work may be orphaned by the actions of a user or other third party?

Ms. PETERS. Let me start by saying nobody is trying to strip owners of their rights. In fact, the goal of the legislation is for owners to recognize that they should come forward and make use of various registries or other ways, like PicScout, of being locatable.

So there is no stripping of rights. We couldn't do that under the international conventions.

What we have is that where, after a diligent search, the owner cannot be located, then reasonable compensation for a particular use will be allowed. So all you are really doing is cutting back with regard to compensation, but you are cutting it back to what a willing buyer and a willing seller would have agreed to before at the time that the use was made.

So I don't actually see that as a huge cutting back. The most you can say is, statutory damages, if the work had been registered would not be available. So, for me, I don't see it as a cutting back. Unfortunately, I knew it.

Second part of the question, just to say a couple of words. That was the first part. That was your (A).

Mr. COBLE. Yes.

Ms. PETERS. And your (B) was?

Mr. COBLE. Oh, the (B) was the assertion that a work may be orphaned by the actions of the user or a third party.

Ms. PETERS. I am not exactly sure what that means. I would argue the opposite. I would argue if there is a reasonably diligent search, you will find the copyright owner.

So it is not the user who is making the work an orphan; it is the copyright owner. It is the opposite.

Mr. COBLE. I got you.

Thank you, Madam Register.

Mr. Adler, I had planned to examine you, but my Chairman beat me to the punch and he asked me to ask you the same question.

So let me go to Ms. Kevorkian. Ms. Kevorkian, is it standard practice for textile companies to register their designs with the Copyright Office?

Ms. KEVORKIAN. Yes, Mr. Coble.

The textile industry, in general, registers thousand of designs every year. It is our standard practice not only to register our designs with the Copyright Office, but also put a copyright notice on

all of our printed fabric where there is a selvage, and on the ticket to the fabric that we sell.

With respect to certain categories of textiles, such as woven there is no selvage, so there is no way of putting a copyright notice on the product itself; although, we do affix a ticket.

But it is very easy to cut off that information; to remove a ticket from a rug, from wallpaper, because you cannot print that copyright notice and create an orphan. If you look behind you, on that curtain, there is no copyright notice. There is no way to put that copyright notice.

And you could take that curtain and say I can't find the copyright owner because there is no searchable database, and, therefore, I have done a reasonable search. I went to Google. I came up with a million hits for that particular pattern with no images. So I am reasonable. I can use it.

Mr. COBLE. Well, without a comprehensive database, how do U.S. textile companies ensure that they are not infringing on the design of a third-party company?

Ms. KEVORKIAN. It is very simple.

Mr. COBLE.—exchanging information with each other, I imagine.

Ms. KEVORKIAN. Well, for one thing, if it happens sometimes that someone will come to us and say, "Could you recreate this design for us?" If we do not have a signed certificate from the user saying that they either own that design, we will not do it.

If they know who created the design, we will do a copyright search at the Copyright Office, which is text-based. But if you at least have the pattern name or the name of the author, then you can do that search.

If you have neither, then, very simply, we will not use the design. It is not going to change our business model. We will create a new design.

Mr. COBLE. Mr. Chairman, my red light is about to illuminate, so I yield back.

Mr. BERMAN. I thank you.

And I recognize the gentlelady from California, Ms. Lofgren, for 5 minutes.

Ms. LOFGREN. Thank you, Mr. Chairman.

As you know, I am very appreciative that we are having this hearing today. This has been an issue of considerable concern to me.

And I remember watching the *Eldred* case being argued and then reading with great interest Justice Breyer's comments about how the majority of copyright-protected material is orphaned.

And so I do think that we need to come up with a solution that solves that problem for the sake of the culture, but also respects the copyright owners because we don't want it run over the compensation, the legitimate compensation needs of copyright owners.

The fact that we are having this hearing today tells me that we are serious about moving forward to get that balance right. I am interested, Marybeth Peters, about what role you think the Copyright Office really should play in solving this Orphan Works problem.

Ms. PETERS. Absent having an image recognition database of visual arts works, we are willing to do everything we possibly can.

What issues have come up with assistance with regard to best practices, we have gone a long way with our new electronic database which allows people to send both an application and a deposit copy to us electronically and have that information available much more quickly than it ever has been before.

But I will tell you that this is a problem that I personally experienced in trying to do clearances for the Library of Congress. It is something I care about deeply. And the Copyright Office will do everything it can in order to see enactment of a balanced Orphan Works bill.

Ms. LOFGREN. Let me ask you, you mentioned the Copyright Office's role in establishing best practices. Of course, best practices are in the eye of the beholder.

How could you envision moving forward in getting a best practices established in a way that has buy-ins in the various parties?

Ms. PETERS. I can give you an off-the-cuff answer right now, but if you want a really serious, detailed one, I would be——

Ms. LOFGREN. Well, I will take both.

Ms. PETERS. Okay. I will be glad to send you our more thoughtful consideration of what you are asking. The problem with best practices, in part, is it depends on the type of the work.

So you really have to find copyright owners, organizations of copyright owners, organizations of copyright users of that type of material. And there are many people who search and who have actually put together for people who want to find their works, kind of a list of things that you should do.

Ms. LOFGREN. Right.

Ms. PETERS. So at the very least, it would be working with all of these communities and trying to collect and make available their practices. But we could even take it a step further if the Committee thought that that was wise.

But let us get back to you with a very precise answer on what we would be willing to do.

Ms. LOFGREN. I would appreciate that.

Let me ask you about—we have had testimony from the technology company in my state, nearby. There are a variety of things going on technologically. It is a very interesting time to be looking at this.

Some people have suggested that it is the Copyright Office that should establish what technology we are going to use or prescribe. And I have seriously, very grave, reservations about that because the technology will move faster than the government ever can.

Ms. PETERS. I would agree with you.

We are not technology experts. We employ technology, sometimes with difficulty. I see projects, basically, blooming all over.

I visited the Copyright Clearance Center, and they have a project called DiscoverWorks.org where people can put in information about finding things. And they have, basically, the design library as part of their, basically, panoply of works that you can search.

I think that the Copyright Office should encourage technology. It should use technology itself to the extent that it is appropriate.

But I don't think that we are the ones who should be certifying technology. I think that actually it will come out in best practices

of the copyright owner and user groups. They will identify which technology probably best suits the purpose.

Ms. LOFGREN. Thank you. That is very reassuring to me, and I see my time is about up.

Mr. Chairman, I yield back.

Mr. BERMAN. Thank you very much.

Mr. Feeney is recognized for 5 minutes.

Mr. FEENEY. Well, thank you Mr. Chairman.

And it may be some of these orphaned works don't want to be identified by their parents; they are proud to stand on their own. But I guess they don't have much say in the matter.

Ms. Peters, I was interested in your response that your office would do what they could, but absent, I think you referred to an image recognition database—my understanding, and I don't know if any of the panelists know—my understanding of the Library of the Congress is working on something just like that.

Does anybody know about the status of the development of that?

Ms. PETERS. I could find out for you.

I actually do a lot of projects with the Library on digital imaging and things like that. They are working with Flickr—they are making material available, but I was not necessarily aware of technology that is recognition. But if you want me to find out about it——

Mr. FEENEY. That would be terrific. And then the question is: Are they going to try to make it as comprehensive as possible? I guess that is almost impossible to do. People have old photographs stored in their attic and their garage and all over the place.

That seems to me, the ideal if you are trying to find out whether somebody is using a photograph, you know, with respect to photographs, that seems to be the ideal.

But even then, I mean, my question is: Do we have any technology experts? Assuming we had a perfect database of every photograph, for example, ever taken, would the technology be available to tell you whether or not superimposed photographs, you know, people that take part of one picture and put it into a different background, for example.

Would that type of technology conceivably be able to expose a use of a prior work? Does anybody know the answer to that?

Well maybe we will get some folks that are more competent than me to explain those issues. But it seems to me sort of the ideal if you are trying to find the original photographer.

Ms. Kevorkian, in one of your statements, you suggested that—and I am going to quote you—"pictorial or graphic work that was initially created for commercial exploitation or was at any time commercially exploited should be excluded."

And I guess the question there is how would a potential user know what the original purpose was in a lot of—wouldn't it be sort of ambigious in many cases or not self-evident?

Ms. KEVORKIAN. Well, surely, in our industry, I think it would be self-evident. If you take the curtain, again, behind you, the design that is featured on that curtain, the curtain was made for commercial exploitation. It was a useful article. And I think that is really where we are driving at.

If you have a useful article, it was meant to be sold. You don't make fabric just to hang on your wall to look at. It is not a piece of artwork. The rug that we are walking on today was made to be sold and to be exploited.

And our biggest concern is really that productive use of a design.

Mr. FEENEY. Well, there are cases where it is clearly the intent to have a commercial purpose, but there are cases where people take pictures, and they don't know what they are going to use them for.

You know, you sort of decide after the fact whether a photograph has value. I mean, you look at magazines, whether it is National Geographic, I mean—in my local newspaper every weekend, we have readers, you know, favorite pictures.

Well, all of a sudden, they have become commercial in a sense, but that wasn't the original tourist's intent; they just happened to catch some special moments.

I guess we have some definitional problems there when we are—it is hard to look at a lot of pieces of art and decide when the intent of the photographer was or the artist.

Ms. KEVORKIAN. Right. In the case of photographs, I agree with you, Mr. Feeney, that it would not be as self-evident.

But in a case of useful articles, I think it is self-evident. And that is really one way to address this problem would be to exclude that category of product or uses.

Mr. FEENEY. Anything we do need to take into account these ambiguities because you want a black and white law, in my opinion, that everybody understands.

And then, finally, Mr. Perlman, you suggested that the user community would be the primary beneficiaries from an Orphan Works legislation, not the creator or the owner communities.

But wouldn't it be beneficial if you are a creator and somebody goes through a diligent search to find you to ask permission, isn't there some potential benefit to the owner or creator of works if we would require some sort of diligent search before use?

Mr. PERLMAN. Sure. But that exists today. What we are talking about here is a carve-down of owners' rights. And that is what the legislation is all about. Do we think that it is appropriate in some circumstances? Yes.

But, you know, make no mistake about it, what we are doing is carving back on owners' rights.

Mr. FEENEY. If I can, just for a second, Mr. Chairman.

The only analogy I have—and this is a fascinating aspect of IT, but we actually dealt with a related orphan issues involving real, live babies and adoption proceedings in the state legislature of Florida. And I am sure other legislatures have this problem.

You don't know where dad is, for example, so you have to go through an adoption process, notifying dad, finding dad or at least trying to find and notify dad becomes very important.

And we have dealt with similar issues so that reasonable search—and if you couldn't find the dad after a reasonable search, there was an avenue for mom to put the baby up for adoption or for that adoption to be final.

So we need some finality here after a reasonable search if we are going to do something.

Thank you. I yield back.

Mr. BERMAN. The time of the gentleman is expired.

The gentleman from Georgia, Mr. Johnson.

Mr. JOHNSON. Thank you Mr. Chairman.

Mr. BERMAN. And let me just say, we have two votes. Let's see if we can finish up before we have to go.

Mr. JOHNSON. Thank you, Mr. Chairman.

To any of the witnesses who would care to respond. Do the proposed limitations on monetary and injunctive relief represent a fair balance between the rights of the owner and the desires of the user?

Ms. PETERS. I am, obviously, going to say yes.

What is not available is statutory damages. And there has been a question is that fair, especially if you have registered the work.

I will argue that statutory damages are an enhanced remedy. Foreign owners don't actually get it unless they actually register with us as well as domestic owners.

And we are not talking about works that are pirated. What we are talking about is someone who wants to use the work, who wants to find the owner, who wants to negotiate a license, and they have done all the reasonable things that they can in order to find that owner.

And if that owner shows up, either a deal will be struck, or the owner will say no. But if, in fact, the owner isn't found, then what they get is close to the deal that they would have struck.

It would be what a reasonable buyer and a reasonable seller would have agreed to at the time of the use, and there are numbers that various industries have on what a particular use, especially in the visual arts, on what somebody would pay for a particular use.

So I will argue that I think that this is a fair balance, and it is not a major cut-back on owners' rights.

Mr. JOHNSON. Thank you, Ms. Peters.

Yes?

Mr. PERLMAN. I think I might say that it isn't a totally fair balance. It may be a balance that we can live with depending on what the whole package looks like.

Ms. KEVORKIAN. If I may answer as well.

I think that if we were in a perfect world and there were a way to do a reasonable search so that someone could actually assert that they had conducted that reasonable search, then, perhaps, we could address the remedies at that point as being satisfactory.

My concern and the concern of the textile industry is that there is no such means of doing a reasonable search and that the reasonable compensation does not include, at least in the previous bill, attorney's fees.

And very often, the reasonable compensation will be far less than the cost of litigating in order to recover that reasonable compensation.

And I believe that the reasonable compensation should be what the seller would have sold or licensed that particular copyrighted material at the time in that seller's industry.

I would also like to address the issue of injunctive relief. Oftentimes, in our industry, we license design, we give exclusive li-

censes, and there may be industries or particular uses for which we would have never granted a license in the first place.

And if our designs are incorporated into a derivative work, then we find ourselves in situations where that design lives on into another piece of work which we may not find satisfactory to us even if reasonable compensation is accorded.

Mr. JOHNSON. Thank you.

Yes, sir?

Mr. ADLER. I represent an industry of copyright owners who would naturally be concerned if they felt that their remedies were being unfairly reduced.

I think it is important to point out that copyright owners, to some extent, hold their fate in their own hands with respect to the orphan works scheme.

To the extent that they can make themselves available in the sense that they can be identified and be located in connection with their works, then their works won't be subject to this scheme at all.

To the extent that somebody first has to conduct a reasonably diligent search which, under this scheme, by the way, has gotten to be far more sophisticated, I think, and a bit more tough than it was when originally proposed by the Copyright Office, until that reasonably diligent search can be documented and done and until the person goes ahead and actually engages in infringing use of the work based upon that search, the copyright owner is still fully entitled to all of the remedies available under copyright law.

Mr. JOHNSON. Thank you.

Are there a set of best practices that are being created in a form of a checklist for each, I guess, each type of work: music, visual arts, these kinds of things?

Is there a checklist being created of best practices?

Ms. PETERS. I can try to answer.

I don't think there is a checklist, per se. There are best practices that exist.

We anticipate that best practices will be developed.

Technology is part of the searching tools. You don't want them frozen in place because new technology can come tomorrow to do something that the industry agrees that that is something everybody should serve.

But the Copyright Office is willing to assist in gathering best practices and playing a constructive role in making best practices widely known to people who might be users.

So, yes. Best practices are critical. Users will be part of the process. Copyright owners will be part of the process. The Copyright Office will assist in any way it can.

Mr. BERMAN. The time of the gentleman haas expired, I am sorry, just because we have a vote called. I want to give the gentlelady from Texas a chance to question. So I think I am going to recognize her.

We have about 6 minutes left before we have to be on the floor.

Ms. JACKSON LEE. Thank you very much, Mr. Chairman, and thank you for this hearing.

I think the depth of this Committee under your leadership is important as we explore the numerous issues dealing with property, intellectual property.

Let me ask Ms. Peters what the knowledge she has of how other nations treat orphaned works. And are any of these lessons applicable to the United States?

Ms. PETERS. When we did the study, we actually looked at what was going on in other countries.

The one system that is just to our north in Canada, there is a statutory license for published works that is administered by the Copyright Royalty Board. We looked at that and we rejected that.

Europe is now looking at the issue but hasn't really come up with a solution. It is an emerging issue in most countries, but the solutions, other than the one I identified——

Ms. JACKSON LEE. And Canada's solution, again, was what?

Ms. PETERS. It is basically a statutory license when you cannot find the copyright owner, you go to the Copyright Royalty Board——

Ms. JACKSON LEE. Would that be the same as like government-managed compulsory——

Ms. PETERS. Yes, exactly.

Ms. JACKSON LEE. And that is been rejected?

Ms. PETERS. And they set rates and things like that.

Ms. JACKSON LEE. Let me go——

Ms. PETERS.—chose not to do a basically compulsory license per se, but to encourage people to make themselves known and then just to limit the remedy.

Ms. JACKSON LEE. Ms. Coe? Did I say that right? I am not saying it right. Coe?

Ms. COE. Coe.

Ms. JACKSON LEE. Thank you.

Give me, quickly, your dilemma—and we are rushing to the floor—with the Holocaust Museum and Orphan Works.

How does that impact you? And I forgive you for not hearing out for testimony.

Ms. COE. Well, just simply that a substantial number of our works are orphan works. And because we cannot find the copyright owner to get permission, we are very limited in how we can use those works.

This conflicts with our, be it statutory mandate, which is to really disseminate this information to the American public.

Ms. JACKSON LEE. Would you welcome a system in the government that would allow you to pay a fee, an assessment, into a patent office trust fund?

You could use it and then if the individuals were ever to be found, there would at least be some compensation there for them and you would have at least some umbrella of utilization of these works that you need to use.

Ms. COE. Well, I think we—as I mentioned, we already have the resources to offer reasonable compensation to a copyright owner.

I wouldn't think of when you were mentioning as——

Ms. JACKSON LEE. If you couldn't find them, then that fee that you might be willing to pay would be assessed by the government and it would be in a trust fund.

Would that be something that you could consider?

Ms. COE. Well, yes, we could consider that. That is right. I have to think about it.

Ms. JACKSON LEE. Let me just conclude, Mr. Chairman, knowing that we have to go to the floor, and indicate that I have a number of questions, and I will submit them for the record.

I yield back.

Mr. BERMAN. And, I believe Mr. Johnson also has some questions he will submit to the record. I have a few more we may submit.

I do want to mention to Mr. Perlman and Ms. Kevorkian that we are intending to try and put together a bill.

You have tried to make some suggestions in how to deal with it, but I don't think you should relax with the sense that this is just a hearing and it is all going away, because that isn't our intention.

I understand very well your very real and particular concerns in the areas of your works that you are speaking to today. But we have to find a practical way to deal with that.

And with that, I will adjourn the hearing, and thank you very much for your cooperation.

[Whereupon, at 11:30 a.m., the Subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS, AND MEMBER, SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

SHEILA JACKSON LEE
18TH DISTRICT, TEXAS

WASHINGTON OFFICE:
2435 Rayburn House Office Building
Washington, DC 20515
(202) 225-3816

DISTRICT OFFICE:
1919 SMITH STREET, SUITE 1180
THE GEORGE "MICKEY" LELAND FEDERAL BUILDING
HOUSTON, TX 77002
(713) 655-0050

ACRES HOME OFFICE:
6719 WEST MONTGOMERY, SUITE 204
HOUSTON, TX 77019
(713) 691-4882

HEIGHTS OFFICE:
420 WEST 19TH STREET
HOUSTON, TX 77008
(713) 861-4070

FIFTH WARD OFFICE:
3300 LYONS AVENUE, SUITE 301
HOUSTON, TX 77020

Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEES:
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TRANSPORTATION SECURITY AND INFRASTRUCTURE PROTECTION
BORDER, MARITIME, AND GLOBAL COUNTERTERRORISM
FOREIGN AFFAIRS
SUBCOMMITTEES:
AFRICA AND GLOBAL HEALTH
MIDDLE EAST AND SOUTH ASIA
SENIOR WHIP:
DEMOCRATIC CAUCUS
CHAIR:
CONGRESSIONAL BLACK CAUCUS
CHAIR:
CONGRESSIONAL CHILDREN'S CAUCUS

CONGRESSWOMAN SHEILA JACKSON LEE, OF TEXAS

STATEMENT BEFORE THE SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

HEARING ON: PROMOTING THE USE OF ORPHAN WORKS: BALANCING THE INTERESTS OF COPYRIGHT OWNERS AND USERS

MARCH 13, 2008

Mr. Chairman, thank you for your leadership in convening today's important hearing on promoting the use of orphan works by balancing the interests of the copyright owners and users. I would also like to thank the ranking member, the Honorable Howard coble, and welcome our distinguished group of witnesses, which include: Ms. Marybeth Peters, Register of Copyrights, U.S. Copyright Office; Allan Adler, Vice President of Legal and Government Affairs, Association of American Publishers, Incorporated; Ms. Corinne Kevorkian, President and General Manager, Schumacher; Ms. Karen

Coe, Associate Legal Counsel, United States Holocaust Memorial Museum; Mr. Victor Perlman, General Counsel and Managing Director, American Society of Media Photographers, Inc.; and Maya Gura, Director of Marketing and Sales, PicScout. To each of you, welcome.

The purpose of today's hearing is to review possible solutions that would address the frustrations and problems associated with orphan works under U.S. Copyright Law. The term "orphan works" refers to copyrighted works whose owners cannot be located. The term does not apply to works in the public domain or to copyrighted works whose owners are asking for royalties or licensing terms that a potential user does not agree to. One of the problems with orphan works is that users efforts to use them is impeded because the owner cannot be found to ask for permission and to pay royalties. As such, orphan works present a problem to American creativity and innovation.

In today's world of advanced technology and the internet, it is becoming harder to find the owners of video and graphical images because these images do not leave any traces of copyright or ownership information. As a result, there are increasing numbers of orphan works.

Although other provisions of existing copyright law may apply to potential orphan works situations and allow their use, such as fair use and reproductions by libraries and archives, these provisions cover only a limited number of orphan works situations.

Large statutory damages for the use of copyrighted work without permission are a significant disincentive to using a work without the owner's permission. This is problematic for potential orphan works users because the owner cannot be found to ask permission. With no provision to address orphan works, a large number of copyrighted works are effectively off limits to reuse until they enter the public domain. Moreover, it can be difficult to determine the date which works enter the public domain because there might not be an ascertainable date on the work.

Because orphan works inhibit the use of existing works, users are required to create new works without building upon or using earlier works. Experts have found that certain types of works, such as pictorial or visual works, were not susceptible to cataloguing and were not searchable through any widely used databases. As a result orphan works were not used.

Issues surrounding orphan works recently been discussed in the "Report on Orphan Works" published by the Register of Copyrights in

January 2006, the ensuing congressional hearing on the Report on Orphan Works, and in the proposed Orphan Works Act of 2006, H.R. 5439, introduced last Congress.

Under the proposed bill, potential orphan works users would not only have to undertake a reasonably diligent search to locate the true owner of the work, but H.R. 5439 would require contemporaneous documentation of the search. While the reasonable test would be flexible and situation-specific, H.R. 5439 proposed specific factors for consideration.

H.R. 5439 made clear that it is not enough for users to merely assert that no ownership information appears on the work itself; the user would be expected to review the Copyright Office records. In addition, the bill incorporated the best practice for conducting searches and required the Copyright Office to assist users with conducting and documenting their searches.

After a reasonable search fails to identify the copyright owner, use of an orphan work would then be permitted under a system of limited penalties should the owner later appear. Under existing copyright law, and under the proposed orphan works bill, two types of relief exist: monetary and injunctive relief. However, for orphan

works these two types of relief would be significantly modified and limited.

The proposed bill would eliminate monetary relief so long as the infringer ceased use of the work expeditiously upon learning of a claim of ownership and when the use was without commercial advantage and "primarily for a charitable, religious, scholarly, or educational purpose." To address, abuses of the orphan works provisions, H.R. 5349 reintroduced the award of attorneys fees and costs to the copyright owner if the user acted in bad faith after receiving notice of an infringement claim, i.e., the user admits infringement but refuses to pay reasonable compensation.

The bill provides that orphan works owners who show up after a work is used would have their damages limited to reasonable compensation only. To determine reasonable compensation, the owner of the infringed copyright would have the burden of establishing the amount on which a reasonable willing buyer and a reasonable willing seller would agree with respect to the infringing use of the work immediately before the infringement began.

The bill would also limit the applicability of injunctive relief. The special rule for new works recognizes instances where orphan works users may have incorporated the work into a derivative work

(e.g., orphan photographs in a book). When this occurs, the bill requires reasonable compensation for the use, but does not allow injunctive relief. In other cases where the orphan work was not incorporated into a derivative work and is being reused by itself, the claimant could itself to injunctive relief.

Given the complications created by the existence of orphan works, I believe it is time that Congress addressed the issue. The proposed bill provides a good starting point for our discussion and it offers a means to address this orphan works problem. However, I believe that we have an opportunity to improve upon this bill and make it a more effective piece of legislation. I welcome our guests at today's hearing and I hope that they can shed some light on this very fascinating subject. Welcome, again to each of you. I look forward to your testimony.

I yield the balance of my time.

EXECUTIVE SUMMARY

Introduction

Rapidly evolving digital technologies have transformed the way that works of authorship are created, disseminated, stored, preserved, accessed, and experienced for scholarly, entertainment, or other purposes. Rights holders – including authors, musicians, artists, publishers, photographers, computer programmers, record companies, and motion picture studios – are now creating and distributing works in digital formats, and as a result their practices have undergone significant changes. Libraries, archives, and museums, in keeping with their missions to collect, preserve, and make available the cultural heritage on behalf of the American people, have likewise altered many of their traditional procedures and practices and have started to collect new materials.[1] Increased use of digital technologies has prompted a corresponding increase in the public's expectations regarding access to content. Users have begun to expect trustworthy, immediate desktop access to digital materials from all sources, whether local or remote.

Copyright law structures many of the relationships among users, creators, and distributors of copyrighted content. Due to the rapid pace of technological and social change, the law embodies some now-outmoded assumptions about technology, behavior, professional practices, and business models. Section 108 of the Copyright Act of 1976, which provides libraries and archives with specific exceptions to the exclusive rights of copyright owners, was enacted in the pre-digital era. At that time, works were created and distributed primarily in analog format, and library and archives copying consisted of photoduplication and microform. Much has changed since then. The Digital Millennium Copyright Act (DMCA), enacted in 1998, amended portions of section 108, but its provisions only began to address the preservation practices of libraries and archives in the digital environment, and did not attempt to be a comprehensive revision of that section.

The Library of Congress's experience in planning for the National Digital Information Infrastructure and Preservation Program (NDIIPP) and the ongoing work of the U.S. Copyright Office indicated that new technologies had altered the activities of libraries and archives in such a way as to call into question the continued relevance and effectiveness of section 108 of the Copyright Act. Consequently, NDIIPP, in cooperation with the U.S. Copyright Office, convened the 19-member Section 108 Study Group, an independent body reflecting the range of stakeholder interests.

The Study Group's mission statement, approved at its first convening session in April 2005, reads:

1 Notes on terminology: One of the Study Group's recommendations is to amend section 108 so that it applies to museums as well as libraries and archives. For convenience, this Report refers to "libraries and archives" throughout, but "libraries and archives" should be read to include museums for all recommendations and other proposals described in this Report, unless specifically noted. Where distinctions are made among libraries, archives, or museums, the text will refer to them separately. The term "rights holders" is used to refer to authors of all types of copyrighted works, and those to whom authors have licensed or assigned rights in their works.

The purpose of the Section 108 Study Group is to conduct a reexamination of the exceptions and limitations applicable to libraries and archives under the Copyright Act, specifically in light of digital technologies. The group will study how section 108 of the Copyright Act may need to be amended to address the relevant issues and concerns of libraries and archives, as well as creators and other copyright holders. The group will provide findings and recommendations on how to revise the copyright law in order to ensure an appropriate balance among the interests of creators and other copyright holders, libraries and archives in a manner that best serves the national interest.

Copyright law should represent a balance among the legitimate interests of the different entities working with copyrighted materials, and while members of the Study Group were not always in agreement on the shape and form of that balance, all agreed on its fundamental importance.

This Report is addressed first to the Librarian of Congress and the Register of Copyrights, who convened the Study Group. The conveners intended the work of the group to provide a basis on which legislation could be drafted and recommended to Congress. The Study Group worked for almost three years, during which its members volunteered their service and expertise, and it believes that it has fulfilled its goal in the preparation of this Report, which summarizes its recommendations, conclusions, and discussions.

The Study Group operated on a consensus basis. Where recommendations are made, they reflect agreement on the part of all participants, although that agreement is often conditioned on satisfactory resolution of related outstanding issues, as outlined more fully in the Report.

Legal Framework

The authority for U.S. copyright law derives from the U.S. Constitution, which empowers Congress to provide "exclusive rights" to "Authors and Inventors" for a limited period of time in order "to promote the Progress of Science and useful Arts." These exclusive rights provide authors the right to do and to authorize, and to exclude anyone else from performing, certain activities with respect to the copyrighted work during the term of copyright.

The exclusive rights are not absolute. They are subject to specific exceptions and limitations, which are set out in sections 107 to 122 of the Copyright Act. These exceptions describe certain uses of copyrighted works that may be made freely, without permission. In crafting exceptions, Congress and the courts have been mindful of the need to avoid harm to the incentives to create and disseminate works of authorship that copyright law was designed to foster and still serve the public good by ensuring the dissemination of knowledge. Most applicable to libraries and archives are the exceptions found in section 108 of the Act and the fair use provisions in section 107. A comprehensive summary of the legal landscape is provided in Section II of this report.

The Study Group examined the exceptions in the Copyright Act relevant to libraries and archives, focusing in particular on the provisions of section 108. Those provisions can be divided into four general groups: (1) provisions governing eligibility and conditions for use of the exceptions; (2) provisions relating to preservation and replacement activities; (3) provisions relating to copies made for users; and (4) miscellaneous provisions.

Recommendations, Conclusions, and Other Outcomes

The Study Group's recommendations, conclusions, and other outcomes of its discussions are described in this Report in three separate sections:

- "Recommendations for Legislative Change" addresses issues for which the Study Group agreed a legislative solution is appropriate and agreed on recommendations for legislative change. These recommendations often are subject to the resolution of related outstanding issues, discussed in detail in the body of the Report.
- "Conclusions on Other Issues" addresses issues on which the Study Group had substantive discussions, and agreed a legislative solution might be appropriate, but for which it has no specific recommendations on the major issues.
- "Additional Issues" addresses additional important issues that the Study Group discussed.

The following sections of this Executive Summary present the key recommendations and observations; the body of the Report describes the legal context and discussions of the group in greater detail. Each of the recommendations, conclusions, and other outcomes listed below contain hyperlinks in the online version to the full discussion of the issue in the Report.

1. Recommendations for Legislative Change

Following are the issues for which the Study Group agreed that a legislative solution is appropriate and agreed on recommendations for legislative change. These recommendations are subject to the resolution of related outstanding issues, discussed in detail in the body of the Report.

See full discussion of eligibility exceptions in section IV.A.1.

Eligibility

Museum Eligibility Under Section 108

Issue:

Museums are currently not eligible for the section 108 exceptions. Should they be, and if so, under what conditions?

Recommendation:

Museums should be eligible under section 108.

Additional Functional Requirements: Subsection 108(a)

Issue:

Subsection 108(a) contains certain minimal qualifying criteria for the section 108 exceptions, but does not define the terms "library" or "archives." Should subsection 108(a) be revised or supplemented?

Recommendations:

1. **The current requirements for section 108 eligibility as set forth in subsection 108(a) should be retained.**
2. **Libraries and archives should be required to meet additional eligibility criteria. These new eligibility criteria include possessing a public service mission, employing a trained library or archives staff, providing professional services normally associated with libraries and archives, and possessing a collection comprising lawfully acquired and/or licensed materials.**

Outsourcing of Section 108 Activities

Issue:

Section 108 currently specifies that only libraries, archives, and their employees may take advantage of its exceptions. Should libraries and archives be allowed to authorize outside contractors to perform on their behalf ("outsource") activities permitted under section 108?

Recommendations:

1. **Section 108 should be amended to allow a library or archives to authorize outside contractors to perform at least some activities permitted under section 108 on its behalf, provided certain conditions are met, such as:**
   a. **The contractor is acting solely as the provider of a service for which compensation is made by the library or archives, and not for any other direct or indirect commercial benefit.**
   b. **The contractor is contractually prohibited from retaining copies other than as necessary to perform the contracted-for service.**
   c. **The agreement between the library or archives and the contractor preserves a meaningful ability on the part of the rights holder to obtain redress from the contractor for infringement by the contractor.**

See full discussion of preservation and replacement exceptions in section IV.A.2.

Preservation and Replacement Exceptions

Replacement Copying

Issue:

Subsection 108(c) currently permits libraries and archives to make up to three copies of a published work for replacement purposes under certain conditions, such as deterioration or loss. Should these conditions be amended, particularly to address the impact of digital technologies?

Recommendations:

1. **The three-copy limit in subsection 108(c) should be amended to permit libraries and archives to make a limited number of copies as reasonably necessary to create and maintain a single replacement copy, in accordance with recognized best practices.**
2. **"Fragile" should be added to the list of conditions that may trigger replacement reproduction of a physical work. A fragile copy is one that exists in a medium that is delicate or easily destroyed or broken, and cannot be handled without risk of harm.**
3. **The requirement that a library or archives may not make a replacement copy unless it first determines that an unused replacement cannot be obtained at a fair price should be replaced with a requirement that a usable copy cannot be obtained at a fair price.**
4. **There may be circumstances under which a licensed copy of a work qualifies as a copy "obtainable at a fair price." This determination should be made on a case-by-case basis.**
5. **The prohibition on off-site lending of digital replacement copies should be modified so that if the library's or archives' original copy of a work is in a physical digital medium that can lawfully be lent off-site, then it may also lend for off-site use any replacement copy reproduced in the same or equivalent physical digital medium, with technological protection measures equivalent to those applied to the original (if any).**

Preservation of Unpublished Works

Issue:

Subsection 108(b) permits libraries and archives to make up to three preservation, security, and deposit copies of unpublished works. Should this provision be amended, particularly to address the impact of digital technologies?

Recommendations:

1. **Subsection 108(b) should be limited to unpublished works that have not been publicly disseminated.**[2]
2. **Number of Copies**
   a. **Subsection 108(b)'s three-copy limit should be amended to permit libraries and archives to make a limited number of copies of unpublished works as reasonably necessary to create and maintain a copy for preservation or security purposes. This amendment should apply to analog as well as digital materials.**
   b. **Subsection 108(b)'s three-copy limit on the number of deposit copies of unpublished works that can be made should be amended to a reasonable limit on the number of institutions to which libraries and archives can deposit a copy of an unpublished work.**
   c. **Subsection 108(b) (or legislative history) should clarify that a library or archives that receives a deposit copy of an unpublished work from another library or archives is not permitted to make further copies for preservation purposes or for deposit in other libraries or archives.**
3. **The prohibition on off-site lending of digital copies of unpublished works made under subsection 108(b) should be modified so that if the library's or archives' original copy of an unpublished work is in a physical digital medium that can lawfully be lent off-site, then it may also lend for off-site use the preservation and/or deposit copy of the work reproduced in the same or equivalent physical digital medium with technological protection measures equivalent to those applied to the original (if any).**

Preservation of Publicly Disseminated Works

Issue:

Section 108 does not provide for the making of preservation copies of published works – only of unpublished works. Many published works, particularly those in digital form, are at risk of loss if copies are not made before harm occurs. Should an exception be added that would permit libraries and archives to reproduce published works in their collections for preservation purposes prior to detectable deterioration or loss? Should such an exception apply to works that have been publicly disseminated even if they have not been technically published under the copyright law?

Recommendations:

1. **An exception should be added to section 108 to permit a library or archives qualified under the proposed exception to make a limited number of copies as reasonably necessary to create and maintain a preservation**

2 For purposes of this Report, "publicly disseminated" means the work has been intentionally made available to the public by any means whatsoever, including broadcast or electronic transmission via the Internet or other online media, whether or not distributed or offered for distribution in material copies. Where the term "unpublished work(s)" is used in connection with a recommendation regarding subsection 108(b), it should be read to mean "unpublished and not publicly disseminated."

copy of any at-risk published or other publicly disseminated work in its collections, provided that:

a. The number of copies made is limited to those that are reasonably necessary to create and maintain a copy of the work for preservation purposes, in accordance with recognized best practices;

b. The library or archives restricts access to the preservation copies to that which is necessary to effectively maintain and preserve the work;

c. The preservation copies may be used to make copies pursuant to subsections 108(c) or (h); and

d. The preservation copies are labeled as such.

2. Criteria to determine if a particular library or archives is "qualified" to avail itself of this exception should include whether the library or archives:

a. Maintains preservation copies in a secure, managed, and monitored environment utilizing recognized best practices. The following general principles for best practices should be observed for digital preservation (and for analog preservation to the extent applicable):

i) A robust storage system with backup and recovery services;

ii) A standard means of verifying the integrity of incoming and outgoing files, and for continuing integrity checks;

iii) The ability to assess and record the format, provenance, intellectual property rights, and other significant properties of the information to be preserved;

iv) Unique and persistent naming of information objects so that they can be easily identified and located;

v) A standard security apparatus to control authorized access to the preservation copies; and

vi) The ability to store digital files in formats that can be easily transferred and used should the library or archives of record need to change.

b. Provides an open, transparent means of auditing archival practices;

c. Possesses the ability to fund the cost of long-term preservation;

d. Possesses a demonstrable commitment to the preservation mission; and

e. Provides a succession plan for preservation copies in the event the qualified library or archives ceases to exist or can no longer adequately manage its collections.

3. The qualifying criteria for this exception should make allowances for institutions with limited resources that cannot create their own sophisticated preservation systems.

Preservation of Publicly Available Online Content

Issue:

Publicly disseminated online content, including websites, presents new and unique preservation issues, which are not addressed in section 108. Should a new exception be added to section 108 that would permit libraries and archives to capture and copy such content for preservation and access? If so, what limits should be placed on the capture of the content and on the provision of public access to the content once it is captured?

Recommendations:

1. **A new exception should be added to section 108 to permit libraries and archives to capture and reproduce publicly available online content for preservation purposes, and to make those copies accessible to users for purposes of private study, scholarship, or research.**
   a. **"Publicly available" for purposes of this exception is defined as publicly disseminated online content (such as websites) that is not restricted by access controls or any type of registration, password, or other gateway requiring an affirmative act by the user to access the content.**
   b. **Once a library or archives has captured publicly available online content, it should be allowed to provide access to its preservation copies of this content to researchers on the library's or archives' premises.**
   c. **Libraries and archives should be permitted to make the captured content available remotely to their users, but only after a specified period of time has elapsed.**
2. **Opting Out**
   a. **Rights holders should be able to opt out of allowing libraries and archives to capture their publicly available online content, with the exception of government and political websites. The recommendation to include an opt-out clause is conditioned on the Library of Congress being able to copy and preserve all publicly available online content, regardless of the rights holder's desire to opt out.**
   b. **Rights holders who do not opt out of capture and preservation of their publicly available online content should be able to separately opt out of allowing libraries and archives to make their content available remotely to users.**
3. **Libraries and archives should be prohibited from engaging in any activities that are likely to materially harm the value or operations of the Internet site hosting the online content that is sought to be captured and made available.**
4. **Libraries and archives should be required to label prominently all copies of captured online content that are made accessible to users, stating that the content is an archived copy for use only for private study, scholarship, and research and providing the date of capture.**

Television News Exception

Issue:

Subsection 108(f)(3) permits libraries and archives to copy television news programs off the air and lend the copies to users. Should this exception be amended to permit libraries and archives to provide access to those copies by means other than the lending of physical copies?

Recommendations:

1. **The television news exception should be amended to allow libraries and archives to transmit view-only copies of television news programs electronically by streaming and similar technologies to other section 108-eligible libraries and archives for purposes of private study, scholarship, or research under certain conditions, and after a reasonable period has passed since the original transmission.**
2. **Any amendment should not include an exception permitting libraries and archives to transmit downloadable copies.**

See full discussion of Miscellaneous Issue exceptions in section IV.A.3.

Miscellaneous Issues

Unsupervised Reproducing Equipment

Issue:

Subsection 108(f)(1) states that section 108 imposes no liability on a library or archives for copyright infringement accomplished through the "unsupervised use of reproducing equipment located on its premises," provided the equipment bears a copyright warning. How should section 108 address libraries' and archives' liability regarding the use of portable, user-owned equipment, such as handheld scanners?

Recommendation:

Subsection 108(f)(1) should be amended so that nothing in section 108 is construed to impose liability for copyright infringement on a library or archives or its employees for the unsupervised use, by a user, of the user's personal reproducing equipment, provided the library or archives posts notices visible in public areas of its premises stating that the making of a copy may be subject to the copyright law.

Reorganization of the Section 108 Exceptions

Issue:

Many practitioners find section 108's organization confusing and are not always certain of the relationship among its provisions. Should the exceptions be reorganized to make them easier to understand? If so, how?

Recommendation:

The provisions of section 108 should be reorganized in the following sequence so that they read in a more logical fashion: (1) eligibility for and other qualifications to the exceptions, (2) preservation and replacement activities, (3) copies for users, and (4) miscellaneous provisions.

2. Conclusions on Other Issues

Following are the Study Group's conclusions with respect to issues on which it had substantive discussions, and agreed a legislative solution might be appropriate, but has no specific recommendations on the major issues.

Copies for Users Exceptions

Direct Copies and ILL: Subsections 108(d) and (e)

Issue:

Subsections 108(d) and (e) allow libraries and archives to make and distribute single copies to users, including copies via interlibrary loan (ILL), under certain conditions. Should these exceptions be amended in light of the increasing use of digital technologies both by libraries and archives and by rights holders?

Conclusions:

1. **The Study Group concluded in principle that the single-copy restriction on copying under subsections 108(d) and (e) should be replaced with a flexible standard more appropriate to the nature of digital materials, such as allowing a limited number of copies as reasonably necessary for the library or archives to provide the requesting user with a single copy of the requested work – but only if any electronic delivery of digital copies is subject to adequate protections.**
2. **Electronic delivery of copies under subsections 108(d) and (e) should be permitted only if libraries and archives take additional adequate measures (1) to ensure that access is provided only to the specific requesting user, and (2) to deter the unauthorized reproduction or distribution of the work. The Study Group members agreed that adequate measures will depend on the type of work and context of the use, but did not agree on which measures would be adequate, and particularly whether technological protection measures should be required in any given case.**
3. **The current requirement that "the copy or phonorecord become the property of the user" should be revised to state that the library or archives may not retain any copy made under these provisions to augment its collections or to facilitate further ILL.**
4. **Users should be permitted to make ILL requests only through their own libraries and not directly of another library. This is the current practice,**

but there was no agreement on whether specific statutory clarification is necessary.

5. **The terms "fair price" in subsections 108(c) and (e) and "reasonable price" in subsection 108(h) should be reconciled and a single term used to avoid confusion.**

Non-Text-Based Works Excluded by Subsection 108(i)

Issue:

Subsection 108(i) excludes musical works, pictorial, graphic or sculptural works, and motion pictures and other audiovisual works (collectively referred to as "non-text-based works") from the copies for users exceptions of subsections 108(d) and (e). Should any or all of subsection 108(i)'s exclusions be eliminated? If so, what conditions should be placed on the reproduction and distribution of the non-text-based works presently excluded?

Conclusions:

1. **It may be possible to expand the exceptions in subsections 108(d) and (e) to cover certain non-text-based works that are not currently eligible. More factual investigation, however, would be helpful to determine whether eliminating subsection 108(i) in whole or in part would adversely affect the markets for certain works currently excluded from coverage under subsections 108(d) and (e), or would otherwise harm the legitimate interests of rights holders.**
2. **If subsection 108(i) is retained, it should be amended as follows:**
   a. **Limit the excluded categories of works to those where copying under subsections 108(d) and (e) might put the work at particular risk of market harm.**
   b. **Broaden the categories of "adjunct" works that may be eligible for subsection 108(d) and (e) treatment, and use a formulation other than "adjunct" that captures the concepts of "embedded" or "packaged with."**
3. **If subsection 108(i) is amended so that subsections 108(d) and (e) apply to additional categories of works, then additional conditions should be included in subsections 108(d) and (e) to address the risks particular to those types of works.**

3. Additional Issues

Following are the outcomes of the Study Group's discussions with respect to certain additional issues.

Virtual Libraries and Archives

Issue:

Section 108 is generally interpreted to exclude virtual-only libraries and archives (those that do not conduct their operations through physical premises). Should such entities be permitted to take advantage of the section 108 exceptions?

Outcome:

Currently there are very few examples of virtual-only libraries and archives that meet the existing and recommended criteria for section 108 eligibility. The Study Group discussed, but did not agree on, whether it is premature to determine if virtual-only libraries and archives should be covered by section 108.

Display and Performance of Unlicensed Digital Works

Issue:

Section 108 does not address user access to unlicensed digital works lawfully acquired by libraries or archives, including access via performance or display. Is an amendment to section 108 concerning such access warranted?

Outcome:

The Study Group discussed, but did not agree on:

1. **Whether section 108 should be revised – or section 109(c) clarified – to permit libraries and archives to make temporary copies of digital works incidental to on-site public display.**
2. **Whether section 108 should be revised to permit libraries and archives to perform unlicensed digital works publicly on their premises and to create temporary copies incidental to such performance, provided that the performance is made to no more than one person or a few people at a time, and only for purposes of private study, scholarship, or research.**

Licenses and Other Contracts

Issue:

Subsection 108(f)(4) states that nothing in section 108 in any way affects contractual obligations. Are there circumstances in which any of the section 108 exceptions should apply notwithstanding the terms of a license or other contract?

Outcome:

The Study Group agreed that the terms of any negotiated, enforceable contract should continue to apply notwithstanding the section 108 exceptions, but disagreed as to whether section 108, especially the preservation and replacement exceptions, should trump contrary terms in non-negotiable agreements.

Circumvention of Technological Protection Measures

Issue:

Libraries and archives are not permitted to circumvent technological protection measures (TPMs) that effectively control access to a work ("technological access controls") for the purposes of exercising the section 108 exceptions, absent a determination in an applicable administrative rulemaking proceeding. Should such circumvention ever be permitted, particularly for replacement and preservation copying?

Outcome:

The Study Group discussed proposals to allow the circumvention of TPMs for the purposes of exercising the section 108 exceptions, and while all agreed that the role of libraries and archives in preserving copyrighted works is a matter of national concern, there was not agreement on whether a recommendation in this area was needed and, if so, what kind of recommendation would be appropriate.

E-Reserves

Issue:

The reproduction of copyrighted works for use as reserve academic course materials is currently done pursuant to permission or fair use. Should an exception dealing with the reproduction and distribution of copyrighted works for use as electronic reserve materials ("e-reserves") be added to section 108?

Outcome:

The Study Group discussed whether to recommend any changes to the copyright law specifically to address e-reserves and determined not to recommend any changes at the present time.

Pre-1972 Sound Recordings

Issue:

U.S. sound recordings made before 1972 are not subject to federal copyright law, and thus are not covered by the section 108 exceptions. Is an amendment permitting libraries and archives to exercise the section 108 exceptions for pre-1972 sound recordings warranted?

Outcome:

The Study Group observes that, in principle, pre-1972 U.S. sound recordings should be subject to the same kind of preservation-related activities as permitted under section 108 for federally copyrighted sound recordings. The Study Group questioned whether an amend-

ment to section 108 would be feasible without addressing the larger issue of the exclusion of pre-1972 sound recordings from federal copyright law.

Remedies

Issue:

Libraries and archives may be subject to payment of costs and reasonable attorneys' fees in certain circumstances under section 505 even in cases where damages are remitted under subsection 504(c)(2) because the library or archives or its employees had reasonable grounds to believe the infringing activity was fair use. Should the law be amended to exempt libraries and archives from the payment of costs and reasonable attorneys' fees in cases where damages are remitted under subsection 504(c)(2)?

Outcome:

The Study Group discussed, but did not agree on, whether section 505 should be amended at this time.

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Follow-up from March 13, 2008 Hearing ("Promoting the Use of Orphan Works")

Question (Congresswoman Zoe Lofgren): You mentioned the Copyright Office role in establishing best practices. Of course best practices are in the eye of the beholder. How would you envision moving forward in getting best practices established in a way that has buy-in from the respective parties?

Follow-up Answer ((Marybeth Peters, Register of Copyrights):

Thank you for this opportunity to respond more fully to your question.

I believe that the inclusion of a best practices provision in orphan works legislation is appropriate and helpful. It will provide useful guidance to copyright owners, users, and courts in determining whether a search was sufficiently diligent and thus qualifies for the limitation on remedies available under the bill. And I think it is appropriate for the Copyright Office to act as a central repository of best practices.

At this point, I cannot begin to say what best practices will look like. It is the stakeholders who know the best ways to research the identity and location of the owners of copyrights, and we will take our cue from them. And, as I mentioned during the hearing, we will be mindful of that fact that best practices will likely vary among the different types of works. I expect that we will have several sets of best practices, each applicable to certain types of works.

I also would expect that best practices will inform not only the manner in which a user should approach and conduct a search, but also the manner in which he or she should document the search. As you know, a user will bear the burden of presenting evidence that his or her search was a qualifying one and he or she must also produce documentation of the search. The documentation must have been created at the time of the search, before the infringer commenced use of the work.

In terms of the process for collecting best practices, we will provide the public with a full opportunity to provide their input. We will then exercise whatever judgment may be necessary, for example, to resolve conflicting comments from the public. Of course, we will give greater weight to the comments from those who are in a position to know what the best practices truly are. And we will be mindful of any proposals that might articulate a set of best practices that are either more or less demanding than is appropriate.

You may recall that the Copyright Office organized a briefing for congressional staff on December 7, 2007 to learn more about the tremendous technologies, tools, and business models that can assist in connecting users and owners of copyrighted works. The technology in particular is advancing at a remarkable pace. For example, image

recognition technology employed by companies like PicScout has made incredible strides in just the relatively short time that Congress has been considering orphan works legislation. Because the available technology is an integral part of best practices, I believe that it is crucial to update best practices to reflect advances in technology and other developments. So, we will update the best practices as necessary and post the resulting set of best practices on our website.

- Submitted April 8, 2008

The Register of Copyrights of the United States of America
United States Copyright Office · 101 Independence Avenue SE · Washington, DC 20559-6000 · (202) 707-8350

Marybeth Peters, Register of Copyright:
Responses to questions from Representative Sheila Jackson Lee

(1) Why should we be concerned with orphan works? If a person is truly concerned about protecting their copyright, shouldn't they be vigilant in making sure that there is no unauthorized use of their copyrighted work? Why should a user who uses copyrighted material in good faith be subject to damages for something that he/she used in good faith? There seems to be a fairness problem where the copyright holders can sleep on their rights? Is there a laches doctrine in copyright law? Should there be?

Fairness: Your question raises several of the most fundamental issues in the orphan works problem. While we have no doubt that the situation in which an owner "sleeps on her rights" can be frustrating to many prospective users, we also believe it is important not to lose sight of the fact that the owner of a copyright has never been obligated to exploit her copyrighted work, and copyright protection has never been subject to a "use it or lose it" rule. Our view is that this should not change. The history of copyright law in this country demonstrates that, in general, deference to owners' decisions on when and how to exploit works has promoted creative industries and the public good. However, copyright has also long been subject to exceptions and statutory licenses, many of which try to correct situations in which the cost of a willing buyer and willing seller finding each other and negotiating a license fee exceeds the fee itself. In such situations, the transaction never occurs even though both parties would have preferred for the transaction to occur. In our proposals related to orphan works (and in the current House bill), this general framework is retained: the user is entitled to use the work only if a market-based license is not otherwise available (e.g. from a performing rights organization or through a statutory license), and when the owner isn't available to say "yes" or "no" to a license. We believe this strikes the fairest balance.

Good Faith: Liability for infringement of copyright has always been "strict," meaning that a person who reproduces, publicly performs etc. a copyrighted work without permission incurs liability even if the person had no idea that the work was protected by copyright. Under current copyright law, the fact that a user, prior to infringing the work, conducted in good faith a search for the owner that was diligent but unsuccessful will not reduce the infringer's liability: the person is in same position as if he or she had conducted no search at all. The Copyright Act does provide that a judge may reduce an award of statutory damages down to $200 per work when the infringer "was not aware and had no reason to believe that his or her acts constituted an infringement of copyright." *See* 17 U.S.C. § 504(c). However, this provision will usually not be relevant to the orphan work user: the very fact that a potential user conducted a search for the

owner of the work will, ordinarily, reveal that the user *was* aware that her contemplated use would constitute infringement. More fundamentally, statutory damages will not even be available for many owners because statutory damages are only available when the work was registered with the Copyright Office prior to the infringement or when the work was registered within three months of first publication. The reduction in statutory damages is also discretionary, and applies on a per-work basis, so if the user used 10 works, the minimum would be $200 x 10, or $2000. Finally, the owner can elect not to receive statutory damages at all, and instead to receive awards of actual damages and profits; these awards might exceed $200 by a great deal and there is no comparable reduction available for "innocent" infringers in the calculation of actual damages and profits.

Laches: The question of whether the equitable doctrine of laches applies in copyright cases is unsettled at best, but in any event it would not be helpful in the orphan work context because it ordinarily requires that the copyright owner have notice of the infringement. That would not be the case in the orphan work scenario.

(2) The orphan works situation seems to inhibit users from engaging in historic preservation of sound recordings and duplications of photographs, which are often of great historical and educational significance. Is there a way that amendments could be developed to the existing or proposed legal regimes to allow the suspension of orphan works for educational and historical preservation?

First, if a nonprofit institution is engaging purely in preservation activities (e.g. making preservation copies for archival purposes but not disseminating the copies or otherwise making them available), it is very possible that the activity may qualify as fair use. This said, in general, we agree that preservation projects are excellent examples of the beneficial uses that a properly crafted orphan works bill will encourage. If a nonprofit institution wants to make further use of preservation copies or make such copies available to others for further use, or if a private party wants to invest in activities that would result in valuable circulation of older works, the orphan works proposal could prove to be invaluable. The legislative language proposed at the end of our *Report on Orphan Works* (in 2006) provided a safe harbor from monetary damages for infringements that are ceased expeditiously and performed without a purpose of commercial advantage. A similar, but not identical, safe harbor concept has been incorporated into H.R. 5889 (see proposed § 514(c) (1)(B)). We also proposed some conditions for injunctive relief, including a provision that would require a judge to consider the user's reliance on the apparent orphan works status of a work and the availability of orphan works limitations under the law. This reliance qualification is not currently expressed in H.R. 5889.

(3) Why do we bend over backwards to protect a copyright owner who is missing? There's a definite imbalance in the protections afforded to the copyright owner and the user/public.

Our view is that a properly crafted orphan works law will indeed improve the balance between copyright owners and the public. While it may be a fair characterization of

existing law to say that it "bends over backwards to protection a copyright owner who is missing," the proposed orphan works legislation would go far to correct that imbalance. A combination of factors has caused the orphan works problem, including the fact that works are under copyright for a longer period of time than they were under previous copyright laws and that copyright notice is no longer required on published works. Some of the changes in the law that have contributed to the orphan works problem have been enacted in order to comply with treaty obligations. The fact that some owners will become identifiable or unlocatable over time is logical but should be addressed, and the orphan works legislation is an attempt to address that phenomenon. This said, as we noted in response to Question (1), it is also important not to lose sight of the fact that a system of private rights, including a right to exclude, has proven over the past two centuries to be an excellent promoter of expression in this country.

(4) How do other nations treat orphan works and are there lessons that can be applied in the United States?

We considered this question in our study of the orphan works problem, but found few examples of statutory schemes that addressed orphan works. There is an orphan works statute in Canada that is very different from the one we ultimately recommended for the United States. That statute requires that the prospective user pay into an escrow account maintained by the government; the government also issues a license that sets out the permitted uses. Here is our discussion of the issue in the *Report*, which includes the reasons we rejected (and continue to reject) such a system:

> The other mechanism proposed by some commenters is a requirement that orphan works users pay into an escrow before commencing use. The amount collected in the escrow would be paid out to copyright owners if they resurface. This proposal is similar to the system in Canada that was mentioned in the Notice of Inquiry. The proponents of an escrow requirement, mostly individual authors like illustrators, recording artists and photographers, argue that it would prevent abuse of the orphan works system and create a practical way for individual copyright owners to obtain compensation for the use of their works, which according to them is currently impractical due to the high cost of litigation. Most other commenters strongly disfavored the Canadian approach, and also opposed an escrow system of any kind.
>
> In our view, an escrow requirement in an "ad hoc" reasonable search system like we recommend would be highly inefficient. Every user would be required to make payment, but in the vast majority of cases, no copyright owner would resurface to claim the funds. Thus, most if not all of the funds collected would not be distributed to the authors, and thus the system would not actually facilitate payments between users and owners of orphan works. Also, establishing the amount to be paid would be a difficult and time-consuming task. Moreover, the escrow requirement might needlessly discourage legitimate orphan works users from making use of works simply because of the administrative cost

or the volume of works they wish to use, as in the case with a notice of intent to use registry.

(5) Would creating a government-managed compulsory license regime help combat orphan works?

No, we think not. Please see the answer to Question (4), above.

(6) Is orphan works a problem in other countries? Is it harder to find copyright holders in foreign countries?

As discussed in Question (4), above, we did not find many examples of orphan works legislation in other countries. It may be that orphan works are less of a problem in some other countries because in many instances collecting societies (organizations that collect royalties on behalf of copyright owners) in those countries are empowered to collect for all owners within a given class of copyrighted works (for example, all owners of musical works)—even for any owners who have gone missing. A reappearing owner can collect her fees from the society. The United States has collecting societies in fewer copyright industries than some other countries, and generally does not permit the collection of royalties without the authorization of the owner.

Even with the more expansive role of collecting societies, it appears that other countries consider orphan works to be a significant problem. For example, the E.U. (and U.K. specifically) have recently been studying ways to solve the problem and are very interested in monitoring the progress of the United States in this regard.

(7) Under the current IP laws, are damages mitigated if a user can demonstrate that he/she made reasonable efforts to search and find the copyright holder?

As noted in the answer to Question (1), above, the fact that a user, prior to infringing the work, conducted a good faith, diligent search for the owner, and was unsuccessful will not reduce the infringer's liability under current law. Subject to certain requirements related to registration of the work, willfulness can cause an infringer to be subject to an increase in the available statutory damages: the maximum will be increased from $30,000 to $150,000.

(8) Under the existing statutory scheme, how are damages established for willful infringement? How are these damages reasonable?

As noted above, willfulness can in some cases cause an infringer to be subject to an increase in the available statutory damages: the maximum will be increased from $30,000 to $150,000. *See* 17 U.S.C. § 504(c). (The minimum remains the same, at $750.

See id.) It should be noted that statutory damages (whether for willful or nonwilful infringement) may be awarded *only* when the infringed work had been registered prior to the infringement or registered within three months of first publication. *See* 17 U.S.C. § 412. The statute does not address willfulness in the context of actual damages and profits.

It is important to keep in mind that the statute establishes *ranges* of statutory damages, and it is up to a judge or jury to determine the precise award within that range. It is also important to remember that statutory damages are awarded on a per-work basis (not, for example, on a per-copy basis), which means that if the infringer made 100,000 infringing copies of the same musical work, the infringer is still only subject to one award of statutory damages within the proper range. For that reason, it can be reasonable for a court to award $100,000 in statutory damages for infringement of one work, for example in a case where the defendant made 100,000 copies of a song willfully for commercial purposes. Conversely, there may be cases in which an award of statutory damages in the amount of $750 is reasonable, perhaps in the case of a photograph that has no market history or market comparables, even when the infringement was willful.

(9) Do you have any statistics to show how many orphan works claimant[s] come forward to argue that their work has been infringed and the claimant did not have a valid copyright claim?

We do not have any information that would be helpful here. This was not a focus of our orphan works study.

(10) The Copyright Office's Report on Orphan Works notes that because they are protected only by state law, pre-1972 recordings are outside the scope of your study. There are tens of thousands of pre-1972 recordings and I would assume that among them, there are many which might be considered orphan works. Is that something we should look at in the longer term?

Yes. The Copyright Office agrees that study of this issue would be beneficial.

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Follow-up from March 13, 2008 Hearing ("Promoting the Use of Orphan Works")

Question during the Hearing (from Congressman Feeney): Is the Library of Congress working on an image recognition database and how can such a database be as comprehensive as possible?

Written Answer (Marybeth Peters, Register of Copyrights):

Thank you for the opportunity to respond more fully to your question.

In response to your question at the hearing on the Orphan Works problem on March 13, 2008, I have spoken to representatives in the Library of Congress and have confirmed that the Library is not working on image recognition technology or an image recognition database. There are various digital projects that the Library is undertaking involving the digitization of portions of its visual arts collections, such as the American Memory project, the Prints and Photographs Online Catalog, and a project with Flickr. However, none of these projects involve searching these visual arts images by technological image recognition. Moreover, none of these projects involve the creation of a comprehensive visual arts database of copyrighted works.

I believe that the best way to populate a visual arts image recognition database is to allow copyright owners who desire their works to be locatable to seek market-based solutions. PicScout, the company who testified at the hearing on March 13th, represents a perfect example of such a marketplace solution. But comprehensiveness need not be achieved only through the population of a single database. We anticipate the creation of multiple private databases that will compete for the development of the most effective technological recognition techniques and which can complement each other to achieve greater cumulative comprehensiveness. The proposed Orphan Works legislation would encourage copyright owners to populate these emerging databases and it is my understanding that the costs to copyright owners would be relatively low.

It is important to understand that the type of database that would provide assistance to visual artists seeking to avoid orphan work status would need to contain works beyond those in the possession of the Copyright Office or the Library of Congress. The Copyright Office's historical role in registering claims to copyright has been to establish a textual record of such a claim. The deposits of works submitted through the registration system are used by the Copyright Office to examine certain facts stated in the application for registration and to make these works available to the Library of Congress if the Library determines that it would like to incorporate the deposit into the collections of the Library. Neither the Library nor the Copyright Office has retained all of the deposits submitted with applications for registration. Section 704 of the Copyright Act provides the joint discretion of the Librarian of Congress and the Register of Copyrights to dispose of published deposits after a period considered practicable and desirable. In the past,

many published works submitted for deposit were not retained by the Copyright Office or the Library of Congress. Since I have been Register, I have sought to retain a deposit of all works registered as part of the Copyright Office's records. Nevertheless, the Copyright Office and the Library of Congress do not possess a comprehensive archive of all published visual arts works or all works that have been registered.

Indeed, many works protected by federal copyright law are never registered. This fact means that the Copyright Office and the Library of Congress might not obtain possession of these unregistered works. In my opinion, the best route to the establishment of an image recognition database is to foster an environment in which copyright owners and technology companies work together to develop appropriate means to make visual arts works identifiable so that users can locate the owners of these works. The Copyright Office will do everything it can to facilitate such a marketplace solution.

-Submitted May 1, 2008

Association of American Publishers, Inc.

aap

50 F Street, NW, 4th Floor
Washington, D.C. 20001
Telephone: (202) 347-3375
Fax: (202) 347-3690
http://www.publishers.org

May 2, 2008

The Hon. Howard L. Berman
Chairman
Subcommittee on Courts, the Internet, and
Intellectual Property
House Committee on the Judiciary
Washington, D.C. 20515

Dear Mr. Chairman

It was an honor and a pleasure to appear before you and the Subcommittee to offer testimony on behalf of the Association of American Publishers (AAP) at the March 13, 2008 hearing on "Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users."

Regarding questions from Representative Sheila Jackson Lee that were sent to me from your office on April 16 for responses to be included in the hearing record, please note the following responses:

1. *Should any Copyright reform act or legislation addressing orphan works be effective upon the date of enactment or a set time in the future to allow a phase in?*

Response: It would be reasonable to make such legislation subject to a phase-in period of no less than six (6) months and no more than one (1) year from the date of enactment in order to allow a reasonable amount of time for certain essential matters required or contemplated by the terms of the legislation to occur, including, for example, the submission to and processing by the Copyright Office of proposed "statements of best practices" for conducting searches to identify or locate copyright owners (see subparagraph 514(b)(2)(B) of HR 5889). A phase-in period would also allow for the new legislation to be publicized, so that affected parties can become familiar with its purpose and provisions before it actually goes into effect. Such a phase-in period will also allow reasonable time for the development of databases and related services that will assist copyright owners and users of copyrighted works to connect with each other for purposes of engaging in regular permissions transactions that do not require "orphan work" treatment, as well as to address the requirements for a "qualifying search" under the legislation when "orphan work" treatment may be applicable. However, we do not support delaying the effective date of the legislation's application for longer periods of time, or only for particular types of copyrighted works (e.g., pictorial, graphic or sculptural works).

2. *You indicated in your statement that "enactment of the proposed 'orphan works' scheme will create new business opportunities in the marketplace for third parties offering professional search services, ownership information services, and the like" and that you believe that the statutory language in any proposed legislation should anticipate such developments. How can the legislation anticipate such developments and address this issue?*

Response: A reasonable phase-in period, as discussed in our response to the first question above, can help to anticipate such developments. At the same time, having the Copyright Office issue a report to Congress and the general public on the availability in the marketplace of relevant search technologies, databases and services – without having to engage in any kind of formal "certification" of such tools, as would be required under the House bill as introduced – would also help to anticipate and promote new business opportunities for third parties to facilitate the purposes of the legislation.

3. *In what ways can uses that originate with material found on the Internet be limited?*

Response: Assuming that the question is framed within the context of orphan works legislation, it is unclear why there should be any need for special limitations regarding uses of copyrighted works found on the Internet, other than those that currently apply under existing law. The mere fact that the copyrighted work involved in an "orphan work" use was found on the Internet should not make the treatment of the work under the statutory "orphan work" scheme any different than if the work was found offline.

If you or Rep. Jackson Lee would care to discuss these or any other matters concerning the proposed "orphan works" legislation, please do not hesitate to contact me at 202/220-4544 or adler@publishers.org.

Sincerely,

Allan Adler
Vice President for Legal and Government Affairs
Association of American Publishers

SCHUMACHER.

CORINNE P. KEVORKIAN
PRESIDENT AND GENERAL MANAGER

April 22, 2008

Subcommittee on Courts,
The Internet and Intellectual Property
U.S. House of Representatives
Committee on the Judiciary
B-352 Rayburn House Office Building
Washington, D.C. 20515

Attention: Chairman Howard L. Berman

Re: ***Hearing Concerning Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users***

Dear Chairman Berman:

I am in receipt of your letter, dated April 16, 2008, forwarding further questions from Representative Sheila Jackson Lee to be included in the final record of the above-referenced hearing. Below are my responses.

Responses from Corinne Kevorkian, President and General Manager, Schumacher, to questions from Representative Sheila Jackson Lee

(1) *How does Orphan Works foster theft when the user must demonstrate that the He/she [sic] sought the owner and, if there is a bona fide copyright, damages must be paid along with injunctive relief? Where's the theft?*

Because there is no effective way to search for the copyright owner of visual art, a user can very easily demonstrate he/she sought the owner. If a user does not know the name of the owner or the name of the design, then a search of the Copyright Officer's records would be impossible. Because of the Copyright Office's failure to maintain a searchable database of visual works that have been registered with it for decades, the Copyright Office essentially hides these works and makes their owners difficult (if not impossible) to find. Nor can a user do an effective search of the Internet in the absence of a comprehensive database of visual works and image-recognition technology. Today, for instance, a user seeking the owner of a fabric with a tree of life design would encounter nearly 2,000,000 hits through a Google search. Even if a user were inclined to scroll through all 2,000,000 results (an unlikely scenario), he would be unlikely to find the owner because an image of the design in question may not be posted, or the user may be unable to

79 MADISON AVENUE
NEW YORK, NEW YORK 10016
PHONE 212.213.7753 FAX 212.213.7664
EMAIL: CKEVORKIAN@FSCO.COM

recognize the image because only a portion of the pattern repeat may be shown. Thus, a user could easily state that it sought the owner, but could not find him, and commence use. Under the proposed Orphan Works legislation, damages are limited to "reasonable compensation" and do not include statutory damages or attorney's fees. Nor is injunctive relief available if the user conducted a "reasonable search" and offered "reasonable compensation", or if the user incorporated the design into a new work (i.e. derivative work). This deprives the copyright owner of fundamental rights under the copyright laws, that is, the right to refuse reproduction and distribution of his work.

(2) *You suggest Orphan Works should not apply to documentary work, libraries, and archives, but wouldn't this leads to greater infringement?*

On the contrary, we suggest that Orphan Works could apply to not-for-profit institutions, such as libraries, museums and educational institutions. Our major objection to Orphans Works is its application to commercial use. Although the use of copyrighted materials by not-for-profit institutions under an Orphan Works regime can indeed constitute infringement, we recognize the cultural, educational and social benefits that these institutions bring to the public interest, and are willing to compromise by allowing them to use orphan works for the benefit of society at large. In many cases, such use would already be covered under the "fair use" exception to the Copyright Act. However, we see no such "public good" justification for commercial use or use on "useful articles".

(3) *You stated that there is no way to catalogue pictorial or graphical work that is created for commercial benefit? Can you please explain how it is not possible to create a searchable archive of pictorial work to determine if the work is copyrighted?*

In the textile and associated home fashion industry alone, each company creates hundreds of new designs each year. In the case of Schumacher, we have done so for over one hundred years. Because the term of copyright lasts 95 years, each company would have to photograph or scan tens of thousands of designs in order for such a database to be meaningful. While some companies have already started to digitize their images, the cost is prohibitive to most, which are small to mid-sized family owned businesses. On the average, scanning costs approximately $50 per design. In addition to scanning, programming and development time is required to catalogue the images in product and color categories so they can be retrieved through a search, at additional cost. In many cases, due to the nature of the product (e.g. high sheen silks or velvets, or overscale pattern repeats), scanning is not feasible, so the product must be photograph professionally, at an average cost of $100 per design. At the moment, due to the prohibitive cost, Schumacher has only been able to digitize and post about 800 of its designs on its website, which a very small fraction of its entire catalogue. Only a handful of our suppliers and competitors have digitized their designs and made them available on-line. Even so, those designs can only be searched based on certain keywords and product categories assigned to them by each company. A user would not necessarily be able to find a design if the proper keywords or categories were not used, e.g. Chinoiserie vs. Asian, geometric vs. abstract. There is no centralized database, and no image-recognition technology for a user to be able to do an effective search of these scattered web sites. The cost to the industry to digitize all

existing copyright images (going back 95 years) would be in the tens of millions of dollars.

(4) *Can you please explain how marking an article is a direct violation of the Berne Convention and the WTO agreement on TRIPS?*

The Berne Convention provides that the enjoyment and exercise of an author's rights under the copyright laws shall not be subject to any formalities. This principle has been incorporated into the Universal Copyright Convention and Article 13 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). These agreements acknowledge narrow limitations and exceptions to the exclusive right of copyright – so long as the exceptions don't exceed the constraints of the TRIPS Three-Step Test:

Member [countries] shall confine limitations and exceptions to exclusive rights to:
(1) Certain special cases
(2) Which do not conflict with a normal exploitation of the work
(3) And do not unreasonably prejudice the legitimate interests of the rights holder.

The compulsory licensing scheme of the proposed Orphan Works legislation in effect denies a copyright owner's exclusive right in its work. Additionally, the requirement that a "reasonable search" includes a search of the Copyright Office is a de facto reinstatement of formalities (e.g. registration and markings), in violation of international treaties.

(5) *What countries are the most persistent infringers and piraters and how are US companies responding?*

I refer you to the Office of U.S. Trade Representative's 2007 Special 301 Report (http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_Special_301_Review/asset_upload_file230_11122.pdf) and the International Intellectual Property Alliance (IIPA)'s annual assessment of the state of large-scale copyright violations worldwide and their effects on U.S. copyright industries (www.iipa.com/countryreports.html). The IIPA's Special 301 review to the U.S. Trade Representative estimates that piracy in 51 countries cost U.S. copyright industries more than $18 billion in 2007. The USTR's Special 301 Report placed 43 countries on the Priority Watch List, Watch List or the Section 306 monitoring list. Leading the priority watch list of infringers are China, India, Russia, Canada, Mexico and Argentina, among others.

(6) *When someone has used a copyrighted design after a "reasonable search", how can "reasonable compensation" be defined in a way that's fair to all parties?*

The definition of "reasonable compensation" should take into account customary fees in the owner's and user's industry, whichever is greater. Indeed, royalty rates often vary depending on the intended use and channels of distribution. Additionally, an owner should have the right to recover attorney's fees and punitive damages (in the form of statutory damages), if a user fails to negotiate in good faith. An owner

should also have the right to obtain injunctive relief and stop the infringing use if the owner finds the use objectionable, regardless of reasonable compensation. Litigation should be an option, with an award of attorney's fees.

(7) *How difficult would it be to search for copyright materials in foreign countries?*

The same obstacles exist in foreign countries as they do for a domestic search, i.e. the lack of a comprehensive database and image-recognition technology. Many foreign works are unlikely to be registered with the U.S. Copyright Office, so a search of those records would be fruitless (even if one knew the name of the owner or work). Additionally, a foreign search would be complicated by the different languages. A text-based search of various foreign websites would likely yield results in a foreign language not comprehensible by the putative user. Under such circumstances, would a search be deemed "reasonable"? A foreign user searching for the owner of a U.S. work would encounter the same difficulties.

(8) *How does the U.S. legislation on copyright and orphan works compare to other countries' copyright laws/systems?*

I am not in a position to offer a comparative analysis of the different legal systems applicable in other countries regarding copyright laws. Various international treaties exist to harmonize these differing systems, such as The Berne Convention. I refer you to the World Intellectual Property Organization's website (http://www.wipo.int/clea/en/clea_tree.jsp?expand=node1,CDA#node1,CDA) for further information.

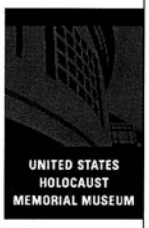
(9) *How can the internet be used to determine whether there are copyrights of pictorial images?*

Please see my responses to Questions # 1 and 3. Without a comprehensive database of all pictorial works and effective image-recognition technology, the internet is not a viable tool for conducting a reasonable search of copyrighted visual works.

Thank you for this opportunity to supplement my testimony on this important issue. I remain at the Subcommittee's disposal for developing a fair and workable solution to the "orphan works" problem.

Sincerely yours,

Corinne P. Kevorkian



May 5, 2008

U.S. House of Representatives
Committee on the Judiciary
Subcommittee on Courts, the Internet, and Intellectual Property
B-352 Rayburn House Office Building
Washington, D.C. 20515

By Federal Express Delivery

Re: Promoting the use of Orphan Works: "Balancing the Interests of Copyright Owners and Users"

Dear Chairman Berman, Ranking Member Coble, and Members of the Subcommittee:

This follows your request of April 16, 2008 for a response to questions from Representative Sheila Jackson Lee, a Member of the Subcommittee, to be included in the final record of the referenced March 13, 2008 hearing. The questions and my responses are as follows:

1. *Should there be an educational, museum, or noncommercial use exception to the orphan works legislation?*

Yes. A nonprofit educational and museum use exception is useful for the U. S. Holocaust Memorial Museum and other museums to make a significant number of orphan works in a single collection accessible to the public at any one time, and to use orphan works as part of derivative works that also include the user's original expression or material copyrighted by a third party. Such an exception - or "safe harbor" - has been proposed by the Copyright Office for nonprofits because it recognizes the importance of unlocking valuable source material so that others, including publishers and filmmakers, can make further productive use of it.

2. *What specific tools do you use on the internet to search for copyrights for graphical or pictorial works?*

Museum staff has not been able to locate an international image database that would be a useful tool for identifying copyright owners of foreign pictorial works. Our staff does use online death indexes to determine if known copyright owners have died, and they have used online directories and the internet search website, Google, to locate known copyright owners. To identify a copyright owner of a foreign pictorial work, typically a photograph, our staff communicates with its source of the work and other foreign archives of Holocaust-related works for information on the copyright owner.

100 RAOUL WALLENBERG PLACE, SW, WASHINGTON, DC 20024-2126 TEL 202.488.0400 FAX 202.488.2690 www.ushmm.org

3. *Can you explain your proposed safe harbor that you believe should be included in any orphan works legislation?*

The Museum is interested in a solution to the orphan works problem that authorizes public use of a work after an unsuccessful, diligent search for a copyright owner. If and when a copyright claimant comes forward, the Museum's use could continue for a reasonable period to allow for verification of the claim. If the claim proves to be valid, there would be no liability for the preceding use of the work if the Museum promptly ceased the use. If the Museum has added a significant amount of original expression to the work, its use may continue if it pays reasonable compensation to the copyright owner. The copyright owner would bear the burden of proving copyright ownership.

4. *In your experience, how many individuals have a valid copyright claim?*

The majority of copyright claimants who have approached the Museum have not provided sufficient evidence of copyright ownership.

Thank you for this opportunity to provide further comment on the orphan works problem. Please let me know if you have further questions or would like additional information.

With best regards,

Karen Coe
Associate Legal Counsel

April 30, 2008

The Honorable Howard L. Berman, Chair
Subcommittee on Courts, the Internet and Intellectual Property
Committee on the Judiciary
United States House of Representatives
B-352 Rayburn House Office Building
Washington, DC 20515

Via Hand Delivery

Re: Questions re: March 13, 2008 Hearing on Orphan Works

Dear Mr. Chairman:

As you know, the Honorable Sheila Jackson Lee posed several additional questions, following the March 13 hearing, which you forwarded to us. We greatly appreciate your and her strong interest in this important issue. In reply, we provide the following answers.

1. How can the Copyright Office make it easier to search for video, graphical or pictorial images?

In ASMP's view, the Copyright Office is the likely and logical starting point for anyone searching for copyright owners. With its vast archive of records and deposit copies, it has the potential of being an invaluable resource for conducting such searches. In fact, on page 115 of its report on Orphan Works, the Copyright Office specifically stated, ".... if a work is registered it is unlikely that the copyright owner is unlocatable through a diligent search."

Unfortunately, that assumption is incorrect, and the Copyright Office's potential as a tool for orphan work searches remains unrealized under its current systems, where visual materials are concerned. As currently structured, searches of the Copyright Office's records are text-based and search only the textual material reflected in the registration documents. That creates a Catch-22 situation in which a searcher must already know

150 NORTH SECOND STREET
PHILADELPHIA, PA 19106-1912
WWW.ASMP.ORG
T 215.451.2767
F 215.451.0880

the very information for which he or she is searching, otherwise that information cannot be retrieved. Even a text description of a photograph that is the subject of a search is meaningless, since there are countless photographs that would match the same description and since most photographs are registered with titles that do not provide any kind of information that a searcher would need.

Making the situation even worse, the archive of deposit copies is simply not available for any kind of searches under the current system.

Fortunately, there are currently available several service providers that utilize and offer search technologies based on image-, not text-, recognition. Using one of these services, a searcher need only upload a digital copy of a photograph. The service provider then makes a "digital thumbprint" of the image and searches either a specific database or the worldwide web for images that have matching thumbprints. The searcher then receives a list of the links to the matching images and can thereby have a good chance of locating the copyright owner.

By allowing access to its deposit copies for such image-recognition searches, the Copyright Office could easily realize its potential as a public resource for searches. While the Copyright Office may not be willing or able to digitize its existing archive of print deposits, it is quite possible that an outside service provider might be willing to do that at little or no cost. Even if that were not feasible, the Copyright Office is currently beta-testing a new electronic registration system that allows registration, including submission of digital deposit copies of unpublished works, on line. It would be simple and inexpensive to allow on line, image-recognition searches of such digital deposits. Naturally, certain security measures would and should be taken, but that does not appear to be an insurmountable hurdle.

2. You claim that litigation is too expensive for small artists, what are some alternative forms of dispute resolution that should be made available to claimants?

There are many alternative forms of dispute resolution and variations on how such a system could be structured. Frankly, the cost, complexity, and consumption of time and effort required under the current system makes access to the judicial system virtually unobtainable for most photographers faced with infringements, and ASMP would support almost <u>any</u> arrangement that would improve matters. However, as a starting point for your consideration, we offer the following. In our view, to make the system truly efficient and affordable, it should be structured to require the parties to proceed *pro se*; lawyers should not be permitted to represent either side. Once attorneys enter the

picture, the potential complexities and resultant costs tend to escalate. This would essentially be a "People's Court" for smaller copyright claims.

The system should also permit only limited pre-trial discovery. All relevant documents should be submitted by the parties to the court and each other before the hearing date. Discovery makes litigation more extended, complex and expensive.

There should be a (comparatively) short time frame from complaint to answer to hearing to disposition.

Hearings should be tightly controlled and of short duration. Where the parties are in distant locations from each other, hearings might even be conducted over video-conferencing systems rather than in person.

Appeals should require the appellant to post a bond sufficient to cover the appellee's estimated attorney's fees for the appeal, in the event that the appellant lost the appeal.

We are open to all possible ways of structuring a small copyright claims court system. However, our wish list would cap jurisdiction at $10,000., which is the limit for many large-city small claims courts.

Our preference would also be that the judge be (or become) a copyright specialist by virtue of his or her assignment either to a copyright-specific small claims court or to an administrative law judge position affiliated in some fashion with the Copyright Office, perhaps along the lines of the Copyright Royalty Judge system. One of the big problems facing small copyright owners is the fact that many judges do not have much familiarity with copyright, and they are particularly unfamiliar with the customs and practices of pricing usage of commercial photographs and other commercial works of art. Presumably, having an adjudicator who deals with these areas of the law repeatedly would help to eliminate that problem.

An alternative, although less desirable in our view, approach would be to change the jurisdictional provisions of the Copyright Act to allow state courts to hear copyright cases involving less than some specified figure, such as $10,000. That would solve some of the problems. However, if such cases were to be heard in state courts of general jurisdiction, much of the delay, expense and complexity of litigation, generally, would remain. In addition, that approach would not address, and indeed would exacerbate, the problems of insufficient judicial copyright experience and expertise mentioned above. In addition, it would raise issues of obtaining jurisdiction over defendants outside the state.

As I said at the beginning of this discussion, the system described above is only one possible approach. There are many different ways to reduce the costs and simplify the procedures of resolving copyright infringement disputes, and ASMP would welcome virtually any changes that would improve the current situation.

3. Should there be an exemption from Orphan Works for nonprofits, educational institutions and museums?

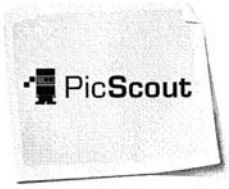
ASMP believes that the primary beneficiaries of any Orphan Works legislation should be non-profit educational institutions, museums and libraries, and individuals engaged in non-revenue producing personal or community uses. Indeed, that was the thrust of the proposal that I made at the March 13, 2008 hearing.

I hope that this answers the supplemental questions that were submitted to us and that you will let us know if we can provide any additional information. I again thank you for your interest in this matter that is of such great importance to freelance photographers.

Respectfully yours,

VICTOR S. PERLMAN
Managing Director & General Counsel

VSP/hs



Howard L. Berman
Chairman
Subcommittee on Courts, the Internet, and Intellectual property

Dear Mr. Berman,

Thank you for contacting PicScout. It was an honor for PicScout to present its application at the hearing on Promoting the use of Orphan Works on March 13th, 2008.

Below, please find a response to the questions forwarded in the hopes they are suffient.

1. Q - How expensive is the PicScout Application

   A – The cost of our application is directly related to the following factors- the number of images PicScout will store in its database/ number of images PicScout will be asked to scan, level of service and support required, and the number of search queries the application will perform. This needs to be discussed further once we receive quantified information about the committee's actual requirements. Please note, we currently have a varied price scheme with our customers for our Image Tracker application, which is specifically tailored to benefit all sides. This has been proven highly successful in the past years we have been operating.

2. Q – Is the application widely distributed?

   A – Absolutely.
   The Image Tracker application is widely used not only all over the world (USA, UK, France, Germany, Australia, New Zealand, Singapore…etc), but also by the most prestigious stock photography agencies such as Getty Images, Jupiter Images, Masterfile, Superstock, and many more.
   Our database contains dozen of millions of images which are being compared with million images on the World Wide Web on a daily basis; our solution is proven to have massive scalable capabilities.

3. Q – Explain how this application would make it easier to catalogue the copyrights for video, visual, or pictorial images

   A – The application is built for *any* persons wishing to use a pictorial image, but does not know who it belongs to.

505 Montgomery St., SF, CA 94111, USA, Tel: +1.415.8743222 www.PicScout.com

PicScout

The procedure is substantially simple. The person goes online, uploads the file in question to our clearance system, and clicks on the search button. Our system then compares this file to millions of other files which are stored in our database, and the user quickly receives a notification with copyright owner details, and licensing information.
For the user there is little or no cost and they can decide whether the file can and needs to be used.

Please feel free to use the information provided during the testimonial as well as our web site (www.picscout.com), as it contains extensive details on our technology, company and general activities.

With kind regards,

Niran Amir
Director, Marketing & Sales
PicScout
505 Montgomery St.
San Francisco, CA 94111

March 12, 2008

The Honorable Howard L. Berman
Chairman
Committee on the Judiciary,
Subcommittee on Courts, the Internet, and Intellectual Property
U.S. House of Representatives
2221 Rayburn H.O.B.
Washington, DC 20515

The Honorable Howard Coble
Ranking Member
Committee on the Judiciary,
Subcommittee on Courts, the Internet, and Intellectual Property
U.S. House of Representatives
2468 Rayburn H.O.B.
Washington, DC 20515

Re: Orphan Works Hearing

Dear Chairman Berman and Ranking Member Coble:

The Library Copyright Alliance (LCA) consists of five major library associations: the American Association of Law Libraries, the American Library Association, the Association of Research Libraries, the Medical Library Association, and the Special Libraries Association. These five associations collectively represent over 139,000 libraries in the United States employing 350,000 librarians and other personnel. These five associations participate in the LCA to address copyright issues that have a significant effect on the information services libraries provide to their users. The LCA's mission is to foster global access to information for creative, research, and educational uses.

We write to express our gratitude to the Subcommittee for holding a hearing on orphan works – the LCA's top legislative priority. We wish to associate ourselves with Karen Coe's testimony on behalf of the United States Holocaust Memorial Museum. Museums, libraries and archives, as institutions that collectively preserve our cultural heritage, strongly support adoption of meaningful relief for the use of orphan works.

The special collections in our libraries, museums, state and local historical societies, and archives include significant amounts of orphan works: works whose owners are difficult or impossible to locate.

These repositories with orphan works are not being made publicly available for fear of copyright owners coming forward and demanding unknown amounts of compensation. Despite extensive and costly searches to locate orphan work owners, without a legislative solution, the risk remains too high for our institutions to make these works publicly available.

Resolving the orphan works problem presents significant new educational opportunities because these works will be publicly accessible and available to students, scholars, and the public. Access to these resources supports and inspires new scholarship by making the works of previous generations more accessible and useful to current users.

During the 109th Congress, this Subcommittee recognized that the availability of statutory damages inhibited a wide range of socially beneficial uses of orphan works. Accordingly, this Subcommittee favorably reported the Orphan Works Act of 2006 (H.R. 5439), which would have eliminated the remedy of statutory damages if the user performed a reasonably diligent search for the owner prior to the use.

We are pleased that the Subcommittee has begun its process for considering this issue in this Congress. Prior to the introduction of H.R. 5439 in the 109th Congress, LCA participated in negotiations with interested parties during which significant concessions were made to address all legitimate concerns with the possible negative affects of the legislation. Because of the extensive deliberations of this issue in the 109th Congress, we hope that legislation moves quickly in this Congress, and that the protections the legislation is intended to provide users of orphan works are not diluted.

Thank you for your continued leadership on the orphan works problem. We look forward to working with subcommittee members and their staffs so that orphan works legislation can be enacted this Congress.

Respectfully,

Mary Alice Baish

Mary Alice Baish
Acting Washington Affairs Representative, American Association of Law Libraries

On behalf of the Library Copyright Alliance: the American Association of Law Libraries, American Library Association, Association of Research Libraries, Medical Library Association, and the Special Libraries Association (contact information for each association is attached).

cc: Members of the Subcommittee on Courts, the Internet, and Intellectual Property

Library Copyright Alliance

www.LibraryCopyrightAlliance.org

American Association of Law Libraries | ALA American Library Association | Association of Research Libraries | MLA Medical Library Association | SLA Connecting People and Information

American Association of Law Libraries

The American Association of Law Libraries (AALL) is a nonprofit educational organization with over 5,000 members nationwide. AALL's mission is to promote and enhance the value of law libraries to the legal and public communities, to foster the profession of law librarianship, and to provide leadership in the field of legal information and information policy. http://www.aall.org/
Contact: Mary Alice Baish (202-662-9200)

ALA American Library Association

The American Library Association (ALA) is a nonprofit educational organization of over 65,000 librarians, library trustees, and other friends of libraries dedicated to improving library services and promoting the public interest in a free and open information society. http://www.ala.org/
Contact: Lynne Bradley (202-628-8410)

Association of Research Libraries

The Association of Research Libraries (ARL) is a nonprofit organization of 123 research libraries in North America. ARL's members include university libraries, public libraries, government and national libraries. ARL influences the changing environment of scholarly communication and the public policies that affect research libraries and the diverse communities they serve. ARL pursues this mission by advancing the goals of its member research libraries, providing leadership in public and information policy to the scholarly and higher education communities, fostering the exchange of ideas and expertise, and shaping a future environment that leverages its interests with those of allied organizations. http://www.arl.org/
Contact: Prudence S. Adler (202-296-2296)

MLA Medical Library Association
Quality information for improved health
www.mlanet.org

The Medical Library Association (MLA), a nonprofit, educational organization, is a leading advocate for health sciences information professionals with more than 4,700 members worldwide. Through its programs and services, MLA provides lifelong educational opportunities, supports a knowledgebase of health information research, and works with a global network of partners to promote the importance of quality information for improved health to the health care community and the public. http://www.mlanet.org/
Contact: Carla Funk (312-419-9094 x.14)

SLA Connecting People and Information

The Special Libraries Association (SLA) is a nonprofit global organization for innovative information professionals and their strategic partners. SLA serves more than 12,000 members in 80 countries in the information profession, including corporate, academic and government information specialists. SLA promotes and strengthens its members through learning, advocacy and networking initiatives. http://www.sla.org/
Contact: Doug Newcomb (703-647-4923)

STATEMENT OF SESAC, INC. AND RECORDING ARTISTS' COALITION REGARDING ORPHAN WORKS LEGISLATION

- SESAC, Inc. ("SESAC") and Recording Artists' Coalition ("RAC") support the general purpose of so-called "orphan works" legislation to address the problem of copyrighted works whose owners cannot be located to obtain permission to use them.

- However, for at least two compelling reasons, SESAC and RAC believe that musical compositions represented by the performing rights organizations ("PROs") should not be within the ambit of such legislation.

- First, such musical compositions cannot be considered "orphan works."

    - Unlike other categories of copyrighted works, virtually all published musical compositions in the American repertory are represented by the three American PROs, including SESAC, all of which maintain databases identifying the copyright owners. This information can be obtained by simply contacting the PROs. In fact, the PROs maintain on-line websites with freely accessible databases containing owner information for such compositions. (The Harry Fox Agency also maintains a separate database containing owner information for a large percentage of published American compositions. Moreover, SoundExchange maintains an on-line database which, although not listing writer or owner information concerning musical compositions, does contain titles of musical compositions appearing on sound recordings recorded or owned by its members.)

    - Given the availability of such owner information, any musical composition listed in a PRO's repertory cannot fairly be considered an orphan work; a reasonable diligent search in good faith will always locate the copyright owner.

    - Copyright owners of musical compositions should not be forced to spend time and money to litigate the issue of whether a "failed" search was reasonable under the circumstances; the Copyright Office's promulgation of best business practices and research resources for copyright users would not give these copyright owners the same protections as a bright-line statutory exclusion.

    - Significantly, to the knowledge of SESAC and RAC, musical compositions have not been identified in any legislative discourse, including the Copyright Office's Report on Orphan Works, as creating any of the "orphan works" problems that proposed legislation presumably would attempt to remedy.

- Second, even assuming theoretically that a user of musical works could establish a failed but reasonably diligent search in good faith, any statutory provisions providing reduced infringement compensation to copyright owners on a "per work" bases, as applied to public performances of musical compositions, would undermine the PROs' licensing system that has been in place for over 90 years and would conflict with many decades of Federal court and statutory remedies.

- For example, the previously proposed legislation, the Orphan Works Act of 2006, would have provided that compensation for unauthorized use of an "orphan work" be limited to the "willing buyer/willing seller" value "of the work" infringed.

- SESAC does not license public performances on a composition-by-composition basis; most often, it grants blanket licenses authorizing the unlimited use of its entire repertory, which is valued as such.

- In the performance rights industry, where blanket licensing of vast repertories is the legally and economically accepted norm, limiting compensation for infringement to the value of individual infringed works would provide a strong disincentive for users to obtain a license. Presumably, any infringer would prefer to pay after-the-fact for its unauthorized use of a limited number of individual compositions, instead of paying in advance for the unlimited use of a PRO's vast repertory under penalty of potentially substantial statutory damages, as the law presently requires.

- Including musical works within the ambit of orphan works legislation would provide infringers with a plausible avenue to circumvent statutory damages resulting from infringing performances.

- Permitting infringers to argue that they conducted a reasonable diligent search in good faith for compositions whose owners are readily identifiable, and greatly limiting potential infringement liability under the present statutory scheme, would combine to create a gapping statutory loophole that would jeopardize the legal underpinnings for 90 years of public performance licensing, the efficiency of which has been repeatedly reiterated in recent congressional hearings.

- For these reasons, as a matter of law musical compositions whose owner information is contained in freely available public databases maintained by the PROs or other organizations, or otherwise identified to the user by such organizations, should never be considered "orphan works" and should be expressly excluded from the operation of any orphan works legislation. SESAC and RAC would appreciate the opportunity to further discuss these concerns.

WRITTEN STATEMENT OF BROADCAST MUSIC, INC.

at Oversight Hearing

on

**"Promoting the Use of Orphan Works:
Balancing the Interests of Copyright Owners and Users"**

March 20, 2008

Chairman Berman, Ranking Member Coble, and Members of the Subcommittee, Broadcast Music, Inc. ("BMI") is pleased to submit written comments for the record of this oversight hearing on "Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users." Almost two years ago, the Subcommittee – then chaired by Chairman Smith – held a hearing on the Copyright Office's report on orphan works.[1] Then, as now, BMI commends the Subcommittee for holding a hearing on the complex issue of creating a new copyright law system designed to facilitate the use of copyrighted content when owners/creators cannot be located. BMI urges the Congress to proceed deliberately and with caution in this area because any orphan works regime that Congress may adopt entails the risk of unfairly compromising the rights and economic interests of this country's creators.

STATEMENT

BMI is a music performing right licensing organization whose business centers on licensing of public performances of over 6.5 million musical works by a wide spectrum of users, including digital and analog broadcasting entities such as radio, broadcast television, cable, satellite and the Internet, as well as restaurants, stores, concerts, background music services, aerobics and dance studios, and many more. BMI's fundamental and lawful role is to license to these users the "public performing" right in

[1] *See* Hearing on Report on Orphan Works by the Copyright Office Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary, 109th Cong., 2d Sess. (2006) [hereinafter 109th Congress House Hearing on Orphan Works].

musical works on behalf of its over 350,000 affiliated songwriters, composers, and music publishers. The majority of BMI's affiliated songwriters and publishers are the consummate "small businessmen and women" who depend on their BMI royalties for a major portion of their income.[2]

In BMI's view (previously expressed to the Subcommittee),[3] with respect to the public performing right in musical works, the orphan works scenario should not be a problem because the performing rights organizations – BMI, the American Society of Composers, Authors and Publishers ("ASCAP") and SESAC – together represent the rights to in excess of 99% of copyrighted works registered with the Copyright Office. The significance of this is that a user seeking to license the public performing right in music can obtain a license from the performing right organization whose repertoire includes that work. In point of fact, very few musical works fall into the "orphaned" category with respect to the public performing right. BMI believes that any legislation in the 110th Congress must address the case of a copyrighted work for which a license is available through a readily locatable collective licensing organization, such as the music performing right organizations. The statutory scheme should clarify that: (1) a reasonably diligent good faith search to locate the owner should include research of databases of collective licensing organizations which may have the rights to license to the user; and (2) if a musical work is available to be licensed from the collective (which itself is an "owner" of non-exclusive rights in the musical work) and is not taken, the work would *not* be considered "orphaned" with respect to the public performing right. Stated otherwise, the search would not be considered reasonable within the meaning of the Act. Such an express statutory

[2] BMI also has entered into reciprocal license agreements with more than 70 foreign performing right societies worldwide that permit BMI to license in the U.S. the public performing right in many thousands of musical works by foreign songwriters and composers. Through these reciprocal agreements, BMI also collects royalties from those societies for performances of BMI musical works occurring overseas. BMI operates as a non-profit making business and does not retain earnings. Instead BMI returns all license fees collected, less operating expenses, as royalties to its affiliated songwriters, composers, and music publishers whose works are publicly performed.
[3] *See* 109th Congress House Hearing on Orphan Works, *supra* note 1, at 94.

provision would serve as a further incentive to the marketplace "reform" being advocated by the Copyright Office report.[4]

BMI and ASCAP also maintain extensive proprietary databases of copyright information as well as contact information for their respective affiliates and members. BMI pioneered an online database greatly facilitating the public's ability to identify the copyright owners of BMI musical works. *See* http://www.bmi.com. The Harry Fox Agency also submitted comments to the Office that it is able to identify publishers for purposes of mechanical rights licensing. In these circumstances, it is not likely that a user will encounter a work for which licensing and/or contact information is not available.

Although the Copyright Office's report noted the existence and the efficacy of collective licensing organizations,[5] orphan works legislation introduced during the 109th Congress (the Orphan Works Act of 2006) did not reflect the role that collective licensing organizations can play in reducing the incidents of orphan works problems.[6] In written testimony, the Copyright Office did observe that the adoption of the proposed legislation might galvanize the non-music copyright industries to create collective licensing organizations similar to the music performing rights organizations. The testimony continued: "In fact, enactment of orphan works legislation may be the catalyst necessary to prompt the non-legal, marketplace reforms that will most efficiently address the problems identified by photographers and creators of visual images."[7] The logic of this statement is apparent.

Furthermore, as the Register of Copyrights (Marybeth Peters) stated in her written testimony at the Subcommittee's hearing on March 13, 2008, "[a] user should take advantage of all reasonable tools likely to lead him to the copyright owner."[8] The Register continued, by stating that it is the case

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[4] *See* Report on Orphan Works, A Report of the Register of Copyrights (January 2006).
[5] *Id.* at 30-31.
[6] H.R. 5439, 109th Cong., 2d Sess. (2006).
[7] 109th Congress House Hearing on Orphan Works, *supra* note 1, at 8 (statement of Jule Sigall).
[8] Statement of Marybeth Peters on "the Orphan Works Problem and Proposed Legislation," before the House Comm. on the Judiciary Subcomm. on Courts, the Internet, and Intellectual Property (March 13, 2008) at 8.

already that when searching for a copyright owner, users look to the collective rights organizations and many other resources.[9] BMI agrees with the Register.

While the Orphan Works Act of 2006 did not require mandatory registration of works (and is therefore arguably compliant with the Berne Convention), it appears that, for all practical purposes, a copyright owner will have to keep his or her address on file somewhere that is publicly available in order to preserve the economic value of his or her copyright rights. Even if the creator is capable of meeting this burden, the creator must ensure that the corporate entity owning or controlling the copyright (*e.g.*, in the case of a work-for-hire) is similarly locatable. In addition to public access to contact information, there must be adequate assurance that someone coming across a copy of the work can reasonably link it to that particular creator or copyright owner. In this regard, concern has been expressed that the proposal incorporated in the Orphan Works Act of 2006 for attribution to copyright owners by orphan works users (which in theory should be helpful to authors) could actually lead to improper or incorrect information being put on works by orphan works' users, which in turn could lead to reliance by subsequent orphan works users on incorrect data when they do their searches. All of this tends to argue for the creation of collective licensing organizations in non-music fields.

BMI also believes that orphan works treatment should not be allowed for any uses subject to statutory compulsory licenses (*e.g.*, sections 111, 115, 118 and 119) where Congress has created the means of access to a license and the Copyright Royalty Board has established the fees, and there are established methods and practices for dealing with unidentified works. The statute should so provide.

Last Congress, the Professional Photographers of America association testified that in the case of uses that have relatively small value, it will not be cost efficient for the owner of an orphan work to negotiate a reasonable fee when the incentives created by statutory damages and attorneys fees are

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[9] *Id.*

removed from the negotiating equation.[10] A representative of the Copyright Office testified that a "small claims" court for copyright owners could be the solution to this problem but the cost of going to even a small claims court is going to be relatively high in some cases.[11] Attorneys' fees should therefore be available to copyright owners who have to pursue legal remedies such as reasonable license fees for orphan works uses, at least in cases of flagrant and willful disregard of the owners' economic interest.

CONCLUSION

Mr. Chairman, and Members of the Subcommittee, BMI applauds your efforts and initiative – and those of the Copyright Office – in this challenging area of law. Collective licensing organizations, such as BMI, can serve as a cost-effective marketplace solution to orphan works licensing and BMI believes that at a minimum any orphan works bill must reflect this valuable role by specifying that reasonable searches include searching the databases of collectives and that if a license from a collective is available such musical work(s) shall not be considered to be orphaned.

Since this is an oversight hearing on orphan works without legislation on the table, BMI respectfully reserves the right to submit further comments upon receipt and receipt of any "new" bill. BMI stands ready to assist the Subcommittee to draft statutory language.

Thank you.

[10] *See* 109th Congress House Hearing on Orphan Works, *supra* note 1, at 30 (statement of David Trust).
[11] *Id.* at 16-17 (statement of Jule Sigall).

COMMENTS OF THE AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS ON THE HEARING ON PROMOTING THE USE OF ORPHAN WORKS: BALANCING THE INTERESTS OF COPYRIGHT OWNERS AND USERS

March 13, 2008

The American Society of Composers, Authors and Publishers ("ASCAP") thanks the Subcommittee for the opportunity to comment on the issue of "Orphan Works." In these comments, ASCAP reiterates its previous statements on the Report on Orphan Works by the Copyright Office and legislative hearings and proposals addressing this issue, including H.R. 5439, "The Orphan works Act of 2006" (the "Act") introduced by former Chairman Lamar Smith.

Introduction

Considering the range of comments and statements made to date during the orphan works proceedings, it is important at the outset to emphasize a distinctive feature of the orphan works issue. Unlike many other copyright issues, the extent of any problem here varies widely depending on the type of copyrighted work involved. As was noted in comments and statements filed in these proceedings, the very existence of orphan works varies by copyright "sector." In simple illustrative terms, while it may be necessary to address the issue for graphic works or photographs, that necessity is not present when addressing the issue for music—this because of the different ways in which the artistic and commercial communities dealing with these different types of works have developed and operate. Therefore, as we detail further below, any legislation addressing the issue must be flexible enough to account for the differences in copyright sectors.

Past drafted legislative language would affect all types of copyrighted works. For our purposes, however, we limit our comments to the impact of the proposed legislation on musical works, which are written and owned by ASCAP's more than 320,000 songwriter and music publisher members, and on the nondramatic public performances of these works that ASCAP licenses.

The Need for Legislation

ASCAP does not actively seek the enactment of orphan works legislation because, in ASCAP's experience, there is no substantial orphan works problem with regard to musical works or their nondramatic public performance.

When the clearance of nondramatic public performance rights is involved, very few, if any, musical works can be considered "orphaned." ASCAP's repertory contains millions of musical works, and licenses from ASCAP and the other United States performing rights organizations ("PROs") cover nondramatic public performance rights in, for all intents and purposes, every copyrighted musical work. ASCAP (like the other PROs) issues a bulk, collective license, which give access to the entire repertory for one fee, and importantly, does not require music users to contact individual copyright proprietors for permissions. A music user who holds licenses from ASCAP, BMI, and SESAC is certain to have cleared the nondramatic public performance rights to virtually all copyrighted musical works, without needing to locate or identify the authors or copyright proprietors.

Moreover, music users face relatively few difficulties in obtaining clearance information. The PROs maintain extensive databases of information about the musical works in their respective repertories, which creators and music users can freely access at any time and without charge to determine where to obtain rights and clearances.

ASCAP, for example, offers such information through its ACE database, located at http://www.ascap.com/ace. ACE contains all musical works in the ASCAP repertory that have appeared in any of ASCAP's domestic performance surveys since January 1, 1978, and all works registered with ASCAP since January 1, 1991, whether surveyed or not. It also includes copyrighted arrangements of public domain works and foreign compositions licensed by ASCAP in the United States. For each title,

ACE maintains records of the identity of the ASCAP songwriters, including co-writers who are either affiliated with other PROs or not affiliated with any organization; the names, contact persons, addresses, and phone numbers of publishers or administrators of the works; and even the names of some of the performers who have made commercial recordings of the works. If a title or information is not available on ACE, music users can contact ASCAP's Repertory Clearance staff by telephone, e-mail, or traditional mail for additional information and assistance.[1] Each year, ASCAP processes thousands of such requests, and in the overwhelming majority of cases, ASCAP is able to provide the information sought. ASCAP is also continually innovating and enhancing its information database. For example, ASCAP members recently gained the ability to register and update information about their works online—further ensuring that the database remains reliable and up-to-date. Together, the musical works databases of the PROs and other music organizations are invaluable resources that provide useful ownership information on virtually all copyrighted musical works.

Despite these reservations, we accept certain aspects of past drafted legislation. For one, ASCAP agrees that the definition of an orphan work should be a work whose copyright owner cannot be located, rather than one whose owner does not respond to requests for permission. We also agree with rejection of onerous new formalities, which Congress has deliberately reduced and eliminated as a precondition for copyright protection over the last decades, and which our nation's international obligations (through the Berne Convention and the TRIPs Agreement) proscribe. Finally, any orphan works bill should refuse to divest copyright owners of all their rights as a consequence of a work becoming orphaned.

Nevertheless, it is ASCAP's belief that orphan works legislation is unnecessary with regard to musical works and their nondramatic public performance.

Safeguards for Writers and Publishers of Musical Works

Given the lack of a substantial problem in connection with musical works and their nondramatic performance, it is essential that any orphan works legislation not unfairly prejudice the rights of composers, lyricists, and music publishers. To this end, ASCAP recommends that any introduced legislation clarify the following two points.

1. Reasonably Diligent Search

Past proposed legislation required users to conduct a "reasonably diligent search" for the copyright owner. This requirement is imperative in any workable legislation. However, any introduced legislation should define what constitutes a "reasonably diligent search." We believe the legislation—or at least the legislative history—should include some practical examples, or at least order the promulgation of regulations concerning the definition of a reasonably diligent search. To that end, a "reasonably diligent search" by a user of musical works must include a search of publicly-available ASCAP resources, as well as those offered by BMI, SESAC, and other music organizations like HFA. And such a search should not merely require the use of online resources, but also direct inquiry of the organizations if the online inquiry is unavailing.[2] As explained above, ASCAP and these entities maintain and provide a crucial service for anyone who wants to use musical works—free, readily accessible, and easily searchable databases and "editing" services on virtually all copyrighted musical works in existence. These resources should form the backbone of any reasonable search. The Copyright Office had endorses this approach:

One of the most important factors in determining whether a search was reasonable is the extent to which information about the copyright owner's identity and location are available in publicly available registries, databases, or other sources.

. . .

[T]here currently exist other non-governmental resources with author and ownership information, which would likely be part of any reasonable search. For example, ASCAP and BMI are two primary resources for information about musical works . . . . [I]t would seem necessary that a reasonable search would include consulting these organizations for information about the work at issue.

(Orphan Works Report at 103.) Consistent with the Copyright Office's stance, the draft legislation, or at the very least the legislative history, should clarify that a work is not orphaned if the user has not reasonably searched both the online (i.e. ACE database) and offline records of ASCAP and the other PROs and music organizations.

2. Monetary Relief

In an action against the user of an orphaned musical work for its unauthorized nondramatic public performance, legislation should clarify that monetary relief be in an amount no less than the music user would have paid for the appropriate licenses. Past proposals required an infringer to pay only "reasonable compensation for the use of the infringed work . . . ." Under the consent decree that governs ASCAP's activities, ASCAP already grants music users access to its repertory for reasonable fees. See AFJ2 § IX. By definition, then, music users already benefit from reasonable fees, and their use of orphan works should not occur at a discount.

Conclusion

In its experience, ASCAP does not believe orphan works legislation is necessary for musical works or their nondramatic public performance, and consequently neither supports nor opposes enactment of such legislation. It is crucial, however, that any orphan works legislation provide adequate safeguards to ensure the Copyright Act continues to protect the rights of composers, lyricists, and music publishers.

We stand ready to assist the Subcommittee in whatever way we can.

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[1] Indeed, as the Subcommittee knows, ASCAP operates under an antitrust consent decree, the Second Amended Final Judgment entered in United States v. ASCAP, Civil Action No. 41-1395 (WCC) (S.D.N.Y. 2001) ("AFJ2"). Section X of AFJ2 requires ASCAP, upon written request, to inform any music user whether any work identified by title and writer is in the ASCAP repertory, or make a good faith effort to do so if other information is provided, and to make the ACE system available. ASCAP will also forward requests for licenses for particular works to the members-in-interest.

[2] Moreover, if a user only knows the melody of a song (or parts thereof), in order to have met the "reasonably diligent search" requirement it should further be required to utilize song monitoring services such as Mediaguide which houses a database of music "fingerprints."

Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users

Hearing of the U.S. House Committee on the Judiciary Subcommittee on Courts, the Internet, and Intellectual Property

Thursday, March 13, 2008

Written Comments Submitted By Professional Photographers of America/Alliance of Visual Artists

Professional Photographers of America/Alliance of Visual Artists
229 Peachtree St, NE; Suite 2200
Atlanta, GA 30303
404-522-8600
(f) 404-614-6400
www.ppa.com

We offer our thanks to Chairman Berman, Ranking Member Coble, and other members of the Committee for the opportunity to offer testimony and comments on the challenges presented by Orphan Works. Our comments are based on the Committee's progress in this area since the 2006 hearing on the subject. We especially commend the Committee's staff for their diligence and professionalism in this important matter.

Professional photographers are literally the "copyright owner next door." As middle-class Americans and entrepreneurs, photographers typically work in studios with one to three full-time employees. They can be found in every community, practicing their art on subjects from newborns to heavy industrial equipment.

As the world's oldest and largest association for professional photographers, Professional Photographers of America (PPA) consists of photographers engaged in every facet of the profession, including weddings, portraiture, advertising and fashion. PPA, together with its affiliates and allied associations in the Alliance of Visual Artists, represents more than 40,000 photographers.

While photographers are among the smallest copyright-owning businesses, they also produce a higher volume of works than other artists. Because of this, photographers are also the group most likely to have their works fall into the orphan category.

Orphan Works present a very real and challenging problem for consumers, libraries, museums and businesses. Changes are needed, but changes must be balanced with protecting the fundamental copyrights of professional photographers and their ability to make a living.

Professional photographers are totally dependent on their ability to control the reproduction of the photographs they create for their income and the livelihood of their families. Even small levels of infringement can have a devastating impact on a photographer's ability to make a living, especially when you consider that the average income of a professional photographer is between $18,680 and $36,780 (Bureau of Labor Statistics).

We are mindful and grateful of the hard work and time spent on resolving the issues before us, and we thank the Committee members, the Committee staff, the Copyright Office and other involved parties. We believe great progress has been made in devising solutions to the Orphan Works challenge, but we want to bring attention to several important items.

Alternatives to Federal Court Action

We once again emphasize the importance of an alternative to federal district court action to pursue redress for copyright infringements. The traditional methods of protecting copyrights (registration of images with the U.S. Copyright Office and litigation in Federal Court) are simply impracticable for a small business photographer with limited income.

Registration of up to 20,000 individual photographs per year is costly and time consuming. Registration coupled with the expense of Federal Court puts justice out of reach for most photographers.

Federal Court action as a method of seeking redress for an infringement, or to resolve a dispute on what is reasonable compensation for an inadvertent use of an Orphan Work is simply not available to the vast majority of professional photographer/copyright owners. If this remains the only method for resolving such disputes, it is an invitation to unscrupulous infringers.

We are gratified and commend the Committee for their interest in studying potential alternative dispute resolution methods. We urge that this important issue be given serious consideration in any future deliberations.

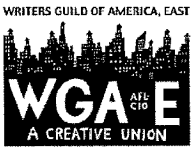
Due Diligent Search

We believe that establishing standards for a documented due diligence search—as a requirement for Orphan Works consideration—is important, and we are pleased with the progress that has been made in this area.

Visual Database

Photographs are by their nature visual based creations and in this digital world it is easy for photographs to be stripped of copyright notices and other identification data. There is a clear need for a visually based, searchable database that can be easily accessed by the general public in addition to a text based data base currently available at the Copyright Office. We anticipate that the electronic system for registering copyrights will significantly assist the creation of such a visual database, and we commend the Copyright Office for their work to establish such a system.

PPA and the 40,000 photographers we represent are thankful for this opportunity to share concerns regarding Orphan Works and copyright protection with the Committee. We look forward to further discussions and are eager to provide whatever information and assistance we can.



Statement of the

DIRECTORS GUILD OF AMERICA and

WRITERS GUILD OF AMERICA, WEST and

WRITERS GUILD OF AMERICA, EAST

Submitted for the Record

Hearing on
"Promoting the Use of Orphan Works: Balancing the Interests of Copyright Owners and Users"

House Judiciary Committee
Subcommittee on Courts, the Internet, and Intellectual Property

Thursday, March 13, 2008

I. Introduction

The Directors Guild of America ("DGA"), the Writers Guild of America West ("WGAW"), and the Writers Guild of America East ("WGAE") commend the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property for convening a hearing to focus on the orphan works issue. DGA, WGAW and WGAE appreciate the opportunity to submit their views on this important issue.

Founded in 1936 by the most prominent directors of the period, DGA today represents 13,923 directors and members of the directorial team who work in feature motion pictures, television, commercials, documentaries and news. WGA East and WGA West are labor organizations that represent more than 10,000 professional writers of stories and screenplays for theatrical and television motions pictures and interactive technologies. All three Guilds represent authors and creators of audiovisual works and share a mission to protect the creative and economic rights of their members, working to advance their artistic freedom and ensure fair compensation for their work.

II. Background on DGA/WGAW/WGAE Interests

We believe that any law which increases the public's access to orphan motion pictures[1] must protect the economic and creative rights of directors and writers, who are the artistic creators that have contractual and other interests in such motion pictures.

Since the names of the director and writer are prominently displayed in each motion picture, we support a simple administrative process that could be established enabling the public, in situations where the copyright holder of a motion picture no longer existed or could not be determined, to seek an appropriate non-exclusive license from the director or writer to use the motion picture. Under this approach, in the event that a copyright holder subsequently emerged to claim ownership of a work identified as an orphan work, procedures would be established for restoring the copyright holder's rights.

We made this proposal originally to the Copyright Office as part of its study on orphan works. The Copyright Office declined to adopt the proposal, saying that it went beyond the scope of the study and touched upon issues about how rights and interests in the exploitation of motion pictures are apportioned. The Copyright Office suggested that our concern about how our work might be used under a new orphan works regime should be addressed in our agreements with film production companies to ensure that the copyright owner of a film can be found after a reasonable search.

Unfortunately, this proposed solution to the threat faced by directors and writers by expanding the public's right to use orphan motion pictures ignores the business realities of the motion picture industry.

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[1] The term "motion pictures" contained in this filing refers to audiovisual works

Rights in motion pictures, including the underlying copyright and fractionalized distribution rights, generally pass through many hands over the economic life of a motion picture. Production companies are routinely created to produce a single picture, the rights to that picture are transferred, and the production company dissolves. Subsequent rights holders often transfer some or all rights to further transferees, and may well not record their transfers with the Copyright Office. Sometimes all distribution rights and other rights of economic exploitation are transferred, but the transferor technically retains the underlying copyright to a motion picture. These patterns are particularly pervasive when motion pictures are produced by independent producers that do not use a major studio for distribution in all markets or territories.

This business model creates two issues: 1) a substantial likelihood that motion pictures will seem like orphans because the chain of title is too difficult to determine from public records; and 2) the problem of privity insofar as directors and writers enter into contracts with the production company, but their economic and creative rights are harder to protect as the chain of title lengthens over time.

Congress addressed this privity problem through its passage of the Digital Millennium Copyright Act of 1998. That legislation contains a provision (Section 406) adding new protections upon the transfer of copyright ownership in a motion picture, subjecting the transferees to continuing obligations to make residual payments that were negotiated with producers under collective bargaining agreements. The law imposes such obligations if the transferee knows or has reason to know at the time of the transfer that a collective bargaining agreement was or will be applicable to the motion picture, and looks to databases maintained by each guild as a basis for constructive knowledge of such coverage.

This same privity problem exists with respect to orphan works. Any agreement that DGA, WGAW, WGAE or individual directors and writers, may reach with the original motion picture production company obliging that producer to ensure later copyright holders will be "known and easily found from a reasonable search" may only be binding on that particular producer. When the producer transfers its economic rights in the film to another company, its duty to the directors and writers may be rendered meaningless, since there is no privity of contract between the director or writer on one hand and the new holder of economic rights in the film on the other.

Regardless of any agreements we might reach with the producer to prevent the film from becoming orphaned, if the producer in turn transfers its interest in the copyright to another entity we cannot easily defend the director's or writer's interests if we lack privity of contract with the new copyright holder.

III. Rights of directors and writers in motion pictures

Under typical industry practice in the United States, directors and writers are employed by movie studios on a "work for hire" basis; accordingly, they do not hold the copyright to the movie. They do, however, have various economic and creative rights established

both in the collective bargaining agreement negotiated by their respective guilds, and in specific contractual arrangements they enter into with the copyright holder.[2] Writers have similar continuing economic and creative interests in motion pictures.

We continue to believe that any expansion of the public's right to access and use orphan motion pictures must take into account all existing legal and contractual rights of creative artists in connection with their interests in the economic proceeds and integrity of their work, and in rights of attribution concerning their creative role.

While in some cases a motion picture may be orphaned because the copyright holder determines the picture has no continuing economic value, or insufficient value to justify the expense of protecting the copyright, the motion picture will likely still have value to the creators.

For example, a multinational corporation copyright owner may lose interest in a motion picture producing modest revenue streams, but those 'modest' revenue streams will in all probability appear much more significant to individual directors and writers. And regardless of the economic interests of the copyright holder in maintaining a copyright, the creators will also have a continuing interest in protecting the integrity of the motion picture from distortion and manipulation in such a way that undermines the creative reputation of the director and writer, and, through attribution, in protecting recognition of their creative role.

IV. Past Subcommittee Action

In the last Congress, this subcommittee approved legislation which would require the Copyright Office to maintain a system for helping users conduct reasonably diligent searches to identify copyright holders. The bill identified the means by which the Copyright Office could provide such information, including using the records of the Copyright Office, using other sources of copyright ownership information that is readily available, providing users with methods to identify copyright ownership information, and providing users with sources of reasonably available technology tools and expert assistance.

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[2] The DGA Basic Agreement establishes certain minimum economic benefits that apply to all Guild directors working on motion pictures. Under the agreement, the DGA members have a right to the payment of residuals, which are payments, through the Guild, to the director from all non-theatrical revenue from the picture in perpetuity. Residual payments from copyright can extend for many years after a motion picture is released as long as the motion picture generates revenues.
In addition, the Basic Agreement establishes a number of creative rights for directors as the one individual who is in charge of all creative decisions in a film project. Those creative rights extend beyond the theatrical release of the film to include creative participation in subsequent edits of video, television, airline, and foreign market versions of motion pictures. Under the Basic Agreement, the director's creative rights over a motion picture extend to all licensees, assignees and purchasers of a motion picture. There are also contractual obligations concerning attribution for the creative role.

We have concerns whether this approach will adequately protect the interests of directors and writers. At a minimum, we believe that any reasonably diligent search for the copyright holder requires a search for the director or writer where the copyright holder cannot otherwise be found.

V. DGA, WGAW and WGAE Recommendations

We recommend that legislation facilitating the use of orphan works specify that any reasonably diligent search for the copyright holder of a motion picture include, in addition to searching for the copyright holder of the film, searching for the director and writer.

This simple procedural requirement would not create any new substantive rights under copyright law for directors and writers of motion pictures, but it would certainly enable more effective searches for copyright holders, and would assist directors and writers in protecting their continuing interests in their work.

In its scroll of credits, every motion picture contains information identifying the film's director and writers. Modern day search technology (i.e., the Internet) and databases easily enable an individual desiring to use a motion picture to track down either the director or writer. Of course such a search could turn up no records of either the director or writer, in which case, if the potential user also was unable to determine the copyright holder through its reasonably diligent search, then the film could truly be considered an orphan work. However, finding a director or writer may well enable contact with the ultimate copyright holder. And consider when directing or screenwriting services were not provided on a "work-for-hire" basis; in such circumstances the search for a director or writer will facilitate contact with the authors of the work.

Including a requirement that a reasonably diligent search include searching for the director or writer makes policy sense because, given their economic and contractual interests in the use of their film in secondary markets and the residual payments that attach to that reuse, the director and writer are highly motivated and situated to find, if they do not already know, the film's copyright holder. Requiring potential users of an 'orphan' film to demonstrate a search for the director or writer would ensure a simple, yet effective, back-stop against inappropriate 'orphan works' designations for motion pictures. It is also consistent with the pattern established by Sec. 406 of the DMCA, in which the ability to search Guild-maintained databases for information concerning Guild coverage contributes to "knowledge" under that statute.

VI. Conclusion

The Directors Guild of America, Writers Guild of America West, and Writers Guild of America East greatly appreciate the efforts of the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property to address the issues of Orphan Works. This is a serious issue that deserves careful deliberation. As you continue your review and craft legislative language, we look forward to demonstrating how the economic and

creative interests of our members are intimately connected to the work they create. Any orphan works legislation should take these concerns into account. Our Guilds stand ready to work with the Committee on this most important issue.

Statement of Doculink,
Film Independent, International Documentary Association, Independent Feature Project, National Alliance for Media Arts and Culture, Public Knowledge, and Tribeca Film Institute

Subcommittee on Courts, the Internet, and Intellectual Property
Committee on the Judiciary
U.S. House of Representatives
March 20, 2008

Re: Orphan Works

Chairman Berman, Ranking Member Coble and Members of the Subcommittee,

Thank you for this opportunity to submit this statement for the record on the issue of orphan works. We are submitting this statement on behalf of the hundreds of thousands of independent and documentary filmmakers and other independent media producers who are members of, or represented by members of: Doculink; FIND (Film Independent); International Documentary Association; IFP (Independent Feature Project); National Alliance for Media Arts and Culture; Public Knowledge; and Tribeca Film Institute.

As a whole, we represent individuals and organizations that produce, exhibit, distribute, collect, preserve, and educate through independent film and media. Our group includes or represents filmmakers, video artists, production facilities, community technology centers, film festivals, media distributors, film archives, after-school programs, community-access television stations and individuals working in the field of film and media arts. We are creators and artists, who rely on our copyrights to protect our creations. In creating our works, we are also users of copyrighted material, and we encounter works that cannot be cleared on a regular basis. Orphan works reform is a critical need for us. As such, we are grateful for the opportunity to express the viewpoint of independent and documentary filmmakers and other independent media producers, and are delighted to offer our perspective on the important issue of orphan works.

Introduction

Independent and documentary filmmakers create without the benefit of sustained, large-institution backing. Like many artists in the United States, we work with very limited resources, but with great passion and energy, in order to make films and other cultural products that nourish the unique American marketplace of ideas. We rely on our copyrights to protect our vision and allow us to monetize a labor of love, and believe in strong and clear copyright protection. At the same time, many artists and supporting organizations are affected by the uncertainty surrounding the use of copyrighted works for which the owner cannot be found. This is an issue that affects all artists; for small filmmakers, however, the ensuing risk can simply be crippling. Films—even with the exciting advent of digital and other new technologies—are expensive to make. The independent filmmaker must marshal all of his limited resources to raise funds; find locations; rent or purchase equipment; cast actors; hire the many workers needed to produce a film; obtain permits; search archives; license music and footage; travel; edit; obtain insurance and legal representation; pay out funds to secure distribution channels for his work . . . and the list goes on.

When a filmmaker cannot clear an orphaned work, she is left with two choices under the present system: 1) proceed, using the work, with the knowledge that unknown liability costs—or even an injunction—may lie ahead; or 2) refrain from using the work. For the independent or documentary filmmaker today, there is no real choice. Without a large institution to help spread the monetary risk, with the knowledge that she will have to compete aggressively to sell her film to often risk-averse distributors and obtain insurance, and with the possibility of an injunction that could silence her film forever, she simply cannot use the orphaned work. As such, the creative work that she has conceived and would like to present to the public is compromised, and the orphaned work languishes in obscurity and silence.

For these reasons, we are delighted that Chairman Berman and Ranking Member Coble have held this hearing to address the important issue of orphan works. It has been three years since this Committee, along with the Senate Judiciary Committee, asked the Copyright Office to submit a report on orphan works. Broad support has

emerged for orphan works relief, significant progress has been made, and we can now bring our collective efforts to fruition. We remain grateful to the Copyright Office for its sound effort to understand and address the issue and for its thorough work in gathering information from affected parties across the user and copyright holder spectrum to produce its comprehensive, careful, and thoughtful *Report on Orphan Works*, and for its continuing efforts. As do others involved in this discussion, we agree with many of the *Report*'s findings and suggestions, and believe they provide a highly effective framework for formulating effective legislation to address this issue. We also appreciate H.R. 5439, *The Orphan Works Act of 2006*, also provides an effective model for solving the orphan works problem.

We would like to take this opportunity to highlight issues that are crucial for Congress to consider in drafting a meaningful orphan works bill. In doing so, we will also share our perspective on some recent suggestions for legislation that have arisen since the *Report*'s publication. Orphan works legislation should have the following features:

- "Reasonably diligent search" should be defined in a flexible manner to account for differences that users in different industries, using different media platforms, and searching for owners of very different types of works, are likely to face in the search process.

- If "best practices" are desired to aid the user in his or her search, they should be guidelines generated by stakeholders and made available to the public through the website of the Copyright Office. Any best practice guidelines should be true guidelines and not legally determinative.

- "Reasonable compensation" to a surfacing owner should be defined as the amount upon which a reasonable willing buyer and a reasonable willing seller in the positions of the infringer and the owner would have agreed with respect to the infringing use of the work immediately prior to the commencement of the infringement.

- Injunctive relief should not be available against qualified orphan works users if the orphan work is adapted for or incorporated into another work that includes separate substantial expression.

- The scope of orphan works relief should include all categories of works and types of uses, with no distinction between "commercial" and "non-commercial" works or uses.

- If necessary to addresses the copyright registration problem, the Copyright Office should identify publicly accessible recognition-based registries that are technologically open and developed in the marketplace.

- The effective date of orphan works legislation should not be delayed inordinately pending development or identification of registries or best practices.

Finally, further clarification is needed as to what constitutes a legitimate attribution and when users would be eligible for the limitations on remedies when they appropriately rely on the results of a previous third-party search.

Requirements for a Reasonably Diligent Search and Use of Best Practices Guidelines

We support the requirement of a good faith, reasonably diligent search, and advocate for standards of diligence that are flexible and not rigidly defined by statute. As copyright holders ourselves, we believe strongly that no copyright holder should be deprived of full remedies because a follow-on user cannot be bothered to engage in a reasonable search. At the same time, we believe it is critical that the law define "reasonable search" in a manner that reflects the fact that no two searches for missing copyright owners are identical. The law must flexibly account for differences that artists in different industries and different media platforms are likely to face when engaging in the search process. Using the objective "reasonableness" standard is the best way to meet this goal.

The following scenarios illustrate the need for flexibility. In one example, a filmmaker has obtained home video footage from a garage sale that she intends to incorporate into a documentary film. In a second example, the filmmaker has obtained an obscure commercial film, for which the original production company is long defunct. Although a reasonable search in the latter scenario might involve the use of a database for commercial film sources,

no reasonable search in the former scenario should involve the use such databases because it is very unlikely that they could provide information about home videos. At the same time, the filmmaker who bought the home video at the garage sale may have very specific, if limited, pieces of information about the film: perhaps the subject family's name, perhaps a sense of time-period or place, perhaps even a home address or neighborhood captured in the film. A reasonable search for this filmmaker would instead involve situation-specific investigatory work.[1]

Factors that determine whether a search is reasonably diligent not only depend on the circumstances surrounding the orphan work, but should also take into account the circumstances of the user. In specifying the steps an artist must undertake in order to qualify for orphan works protection, reform legislation should not make such protection contingent upon the use of fee-based search resources—especially where the same result could be obtained via use of free resources. Although such fee-based search mechanisms may sometimes be reasonable under the circumstances of a particular search, fee-based resources may not be appropriate for all searches, or for all budgets. For example, a small artist who conducts a good faith search should not be statutorily compelled to expend scarce financial resources on a search when non-fee-based means would also be reasonable.

Congressional staff have raised concerns about certainty for users, for which we are grateful. Without some level of certainty, filmmakers will never know when the search is "enough," rendering orphan works reform practically unusable. We understand that the use of "best practices" may be required as a component of the reasonably diligent search. Although we think that best practices have the potential to provide useful guidance to artists searching for missing copyright owners, the need for flexibility requires that best practices standards should be only advisory, and in no case should orphan works relief be denied merely because a user did not adhere to a rigid checklist of best practices. As the examples above illustrate, legislative relief that fails to take into account the individualized nature of searches may force artists to undertake unnecessary, duplicative, or impertinent steps, solely to fulfill a rigid statutory checklist. At the same time, a set checklist of guidelines may leave out entirely steps objectively reasonably required in any given search for an owner. As such, any legally determinative checklist would inevitably be both over- and under-inclusive, unintentionally harming both copyright owners and follow-on users. We agree with Register Peters and with the Copyright Office's finding that a reasonably diligent search standard must remain flexible and dependent upon individualized circumstances, rather than rigidly bound to a best practices checklist.[2]

With respect to developing best practices guidelines that will be useful and flexible, we support the Copyright Office acting as a repository of guidelines that would be independently compiled by individual industry groups. There are many different user and owner communities that have an expertise in conducting searches and could easily develop these techniques into best practices. In addition, industries could recommend visual registries and include them in best practices guidelines. A Copyright Office repository of these industry and user community guidelines would help by making this information easily available, would engender intra-industry communication, and would facilitate the dissemination of best practices information within disciplines.

Beyond acting as a repository, the Copyright Office should not be asked to formulate or compile its own original best practices guidelines. Given the immense diversity of industries and search practices for each kind of work and user, the Copyright Office staff would have to evaluate and translate each into meaningful guidelines. Such a task would be inevitably time-consuming and practically impossible—tantamount to defining what is

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[1] June Cross described a similar situation in her statement at an April 6, 2006 Senate hearing on orphan works. Ms. Cross found home video footage about her own father in a video archive. *See* Orphan Works: Proposals for a Legislative Solution Before the Subcomm. on Intellectual Property of the Sen. Comm. On the Judiciary, 109th Cong. 3 (2006) (statement of June Cross Assistant Professor of Journalism Columbia University Documentary Journalist).

[2] In its *Report*, the Copyright Office explains that such flexibility is necessary "because of the wide variety of works and uses [such that]...[i]t is not possible at this stage to craft a standard that can be specific to all or even many of these circumstances. Moreover, the resources, techniques, and technologies used to investigate the status of a work also differ among industry sectors and change over time, making it hard to specify the steps a user must take with any particularity." (*Report on Orphan Works*, United States Copyright Office, p.15). At the March 13 hearing, in response to Representative Johnson's question regarding whether a best practices checklist was being developed, Register Peters reiterated that freezing in place a best practices checklist would be problematic in light of changing technology.

"reasonable" for every case-by-case circumstance, while remaining both workable and general across industries. Were the Office to be required to take on such a Sisyphean task, the results inevitably would be inapplicable to some unconsidered copyright work or user group and cause unreasonable delays in an effective date of orphan works legislation. The alternative approach, through which industries would individually determine their own best practices, would result in workable industry-tailored solutions, while freeing Copyright Office resources for other uses.

Determining "Reasonable Compensation"

Users of orphan works want to compensate copyright owners for use of their works. Orphan works reform is needed because, when owners cannot be found, the risk of injunctions, as well as statutory damages and other enhanced remedies, creates a chilling effect on the use of these works. Though the chance that an owner of an orphan work will resurface and sue for infringement is small, the risk to small filmmakers of an injunction or high remedies is just too great for them to move forward: small filmmakers need some certainty that their films will not be shut down in the future. Although we have previously suggested that a statutory cap on damages would provide the most certainty to users, we also believe that limiting remedies to "reasonable compensation," properly defined, would effectively balance users' need for certainty with owners' right to be paid for the use of their works. Defining "reasonable compensation" such that, in the rare situation that the unlocatable owner resurfaces, the payment made to the owner closely approximates the payment that would have been made had the work not been orphaned, would allow follow-on users to move forward with orphaned works, while ensuring that copyright owners will be paid if they exist and resurface.

In order to provide the necessary level of certainty to independent artists regarding the financial risks of using an orphaned work, it is essential for "reasonable compensation" to be clearly defined in the statutory language. The *Report* offers some clear and sensible guidance here: the term "reasonable compensation" is intended to represent "the amount the user would have paid to the owner had they engaged in negotiations before the infringing use commenced."[3] Register Peters reiterated this view at the March 13, 2008 hearing. We agree with this approach, and recommend adopting the statutory language proposed in H.R. 5439, *The Orphan Works Act of 2006*: "the owner of the infringed copyright has the burden of establishing the amount on which a reasonable willing buyer and a reasonable willing seller in the positions of the owner and the infringer would have agreed with respect to the infringing use of the work immediately before the infringement began."[4]

H.R. 5439 specified that the burden is on the copyright owner to establish what the fair market value of the work had been immediately before the infringement occurred. Placing the burden on the copyright owner is sensible, as the owner is in the best position to have or obtain information about the amount paid in similar situations, and a new bill should follow H.R. 5439 in making this clear. This follows the logic of Judge Pierre Leval's opinion in *Davis v. The Gap, Inc.*[5] There, Judge Leval decided that the actual amount of the reasonable compensation should be determined based predominantly by reference to evidence of comparable marketplace transactions.[6] The burden should be on the copyright owner to demonstrate that his work had the proposed fair market value, and the owner should prove this by presenting evidence that he or similarly situated copyright owners have actually licensed similar uses for the specified amount. Similarly, the statutory language should also indicate that "reasonable compensation" may, in appropriate circumstances, be found to be zero, or a royalty-free license, if the comparable transactions in the marketplace support such a finding. As Ms. Coe from the U.S. Holocaust Museum pointed out in her oral testimony at the March 13 hearing, many orphan works that the museum acquires exist in a "small and limited market," and a reasonable payment must take this into account. We agree that "reasonable compensation" must be determined in the context of the orphan work.

In addition, the legislative history of orphan works reform should include examples of what might constitute reasonable compensation. In the legislative history, particular attention should be paid to independent artists and filmmakers and other non-institutional follow-on users, who will rely heavily on clear limitations on remedies in order to move forward with the use of an orphaned work. For example, it should be unmistakably clear

[3] *Report on Orphan Works*, United States Copyright Office, p.12.
[4] Orphan Works Act of 2006, H.R. 5439, 109th Cong. § 2(a) (2006).
[5] 246 F.3d 152 (2d Cir. 2001).
[6] *Id.* at 161.

that an independent filmmaker's "reasonable compensation" to a surfacing owner of an orphan work should not be compared to what major motion picture studios pay owners of highly-managed works. Again, the goal is to approximate the payment that would have been made had the work not been an orphan. An illuminative legislative history, demonstrating that it is often the practice of independent filmmakers to negotiate royalty-free or significantly discounted royalty rates, is crucial for independent artists and creators to confidently use orphan works.

Injunctive Relief and Orphan Works Incorporated in Other Copyrighted Works

So long as there is a broad threat of a catastrophic injunction, artists will be forced to shun the use of orphan works. As the *Report* acknowledges, one of the worst nightmares for any filmmaker is a last-minute injunction brought right before the release of a film.[7] Although takedown may in some cases be the best option in the face of a lawsuit to determine reasonable compensation, it will always be a second-best option for a filmmaker or other follow-on creator who has incorporated orphan works into new creations. As such, a meaningful limitation on injunctive relief is critical for filmmakers.

An orphan work may be used as an important part of a new creative work, and may be impossible to remove from the overall work. We greatly appreciate the *Report*'s recognition that the fear of such a crippling injunction brought by a surfacing orphan works owner "provides enough uncertainty that many choose not use [sic] the work, even though the likelihood of such injunction is small."[8] We agree with the *Report*'s conclusion that injunctive relief should not be available against qualified users of orphan works except "where a user simply republishes an orphan work, or posts it on the Internet without transformation of the content."[9]

In that light, we support the approach taken in H.R. 5439 which provided a "Special Rule for New Works." This provision limited injunctive relief in cases where an artist "recasts, transforms, adapts, or integrates the infringed work with . . . original expression in a new work of authorship." The artist would qualify for protection against injunctive relief as to that new work, if the author paid reasonable compensation and provided reasonable attribution to the copyright owner. We believe that a provision akin to this "Special Rule for New Works" is an essential element of any forthcoming orphan works reform legislation.[10] Ultimately, protection from the fear of an injunction should be assured if the orphan work is adapted for or incorporated into another work that includes separate substantial expression.

An Option to Cease Infringement Should Be Available, Regardless of "Direct or Indirect Commercial Advantage"

As noted, it is in many cases impossible for a filmmaker to cease a use in a film that has already been finished. In some instances, however, "takedown" (removing the infringing work from the film) may be the better choice. Independent filmmakers have very sensitive budgets and work on projects where the unique fair market value for a particular use might be hard to know in advance, especially where there are few useful market transaction guidelines, as in the case of experimental and avant-garde films or other new types of art. In some cases, if filmmakers had been able to find the copyright owner and had known what the cost would be, they may not have ever used the work. As such, they should be able to preserve the right to take down, after conducting a reasonably diligent search, being unable to find the owner, and taking the risk to use the work.

The *Report*'s proposed legislation (§ 514(b)(1)) grants users who have conducted a reasonably diligent but unsuccesful search the option to cease use rather than pay reasonable compensation when the use is "without any purpose of direct or indirect commercial advantage." Though independent filmmakers are individual artists not endowed with great financial resources, to the extent our art is our livelihood, our use of orphan works is indeed commercial. For this reason, § 514(b)(1) would exclude independent filmmakers, and many other small artists, from

[7] *Report on Orphan Works*, United States Copyright Office, p. 119
[8] *Id.* at p.120
[9] *Id.*
[10] Filmmakers are not alone in our need for meaningful limitations on injunctions. At the March 13 hearing, Ms. Coe from the U.S. Holocaust Memorial Museum also expressed the need for an option to continue use of the work in exchange for paying reasonable compensation in light of the fact that the museum's orphan works are often already published or embedded in "collective works," making it impossible to immediately stop use.

the option to cease use. Yet, takedown is a sensible option for all users left with no answer after a reasonable search, and it is an especially important option for those with limited budgets.

In light of the false dichotomy between commercial and noncommercial use, the option to cease an infringing use rather than pay monetary damages should be available to all users, especially those who are least likely to have institutional funds to pay damages or defray risk. Dividing between commercial and non-commercial uses, as the *Report* attempts to do when it parses between uses that have "direct or indirect commercial advantage" and those that do not, is challenging and problematic. This difficulty is reflected in the *Report*'s explanation.[11] A bright line still evades us, especially so in the context of media created by individuals who lack institutionally "non-profit" status, but who operate without a pure profit motive. For instance, what would be made of a film project undertaken by a filmmaker and submitted to a school-run film festival that goes on to garner awards at national festivals? There are simply too many areas that are technically commercial, but operate with such limited budgets and for the public good that the distinction fails. Likewise, there are not-for-profit organizations that are so large and successful that their ability to respond to damages and undertake risk mirrors their commercial counterparts. The option to take down should not be based on such a murky distinction.

To be balanced and effectve, and in order to guard against fictitious claims, a takedown provision should require that owners bear the burden of substantiating their ownership, and that users respond in a prompt manner. Accordingly, owners should be required to provide written notice that includes, at a minimum, the name of the copyright owner, the title of the infringed work (or a complete and accurate description in sufficient detail to identify it), contact information for the owner, and information from which a reasonable person could conclude that the owner of the infringed copyright's claims of ownership and infringement are valid. The user should then have an opportunity to conduct an expeditious good faith investigation into the claim to confirm infringement, and then should be required to, promptly under the circumstances, cease the infringement or negotiate reasonable compensation.

Both Commercial and Noncommercial Works and Uses Should Be Covered by Orphan Works Relief

Orphan works relief should be simple, straightforward, and should not discriminate based on categories of works and uses. We strongly agree with Chairman Berman's observation at the March 13 hearing that "as a general matter, it does seem good policy to avoid special carve-outs." Exclusions of certain classes of works from relief would overly complicate the legislation, would require drawing distinctions that are arbitrary or otherwise untenable, and would significantly weaken the benefits of orphan works legislation.

As a threshold matter, Ms. Kevorkian's suggestion at the March 13 hearing that orphan works relief should not be available for any "pictorial or graphic work that was initially created for commercial exploitation or was at any time commercially exploited"[12] is unworkable. Such an exclusion is not a mere limitation; it removes great numbers of works, perhaps most orphaned pictorial or graphic works, from being made available, eviscerating orphan works reform altogether. For example, a documentary filmmaker making an historical film about a company may very well wish to use advertising copy from the company's long-defunct competitor. Under this rule, even though the work is truly orphaned—probably no one exists to license it, and its economic value is minimal or zero—the filmmaker could not rely on orphan works relief because the work was created for commercial exploitation.

Simply determining whether a work was initially created for commercial exploitation could be an impossible task, further chilling socially-valuable uses of orphaned works. For example, scenic photographs could be part of a professional collection, or simply be pictures taken during a family vacation; a portrait could have been commissioned, or created as a gift to the subject; and, a rug could have been a high-end, hand-knitted commercial product or hand-knitted by a hobbyist; video footage can be made commercially into a film or be part of a home video…the list is endless. Even if a follow-on user could tell that a work was not initially created for commercial exploitation, it would be extremely difficult to ascertain whether it was commercially exploited at any later time. As

[11] *Report on Orphan Works*, United States Copyright Office, p. 119 note 385.
[12] *See* Balancing the Interests of Copyright Owners and Users: Hearing on Promoting the Use of Orphan Works Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. On the Judiciary, 110th Cong. 12 (2008) (statement of Corinne P. Kevorkian, President and General Manager, Schumacher, A Division of F. Schumacher & Company).

Congressman Feeney noted during questioning at the hearing, a photograph not originally intended for commercial purposes could later be published in a local newspaper and potentially become commercial. Such uncertainty would prevent filmmakers from filming a wide variety of works because we would be unable to tell whether we are protected by orphan works reform, or not.

The problem of distinguishing commercially exploited works from others is also not solved by presuming that all works embodied in useful articles were created for exploitation.[13] A user cannot necessarily tell whether a vase was made for commercial profit or hand-blown as personal art. Regardless, the cultural value of the orphaned work remains the same from the perspective of the filmmaker. When an independent filmmaker films a scene, the surrounding works in the background are integral in telling the story and setting the mood—our art depends on these subtle nuances. Our sets can include useful articles embodying pictorial or graphic works, such as wallpaper, rugs, curtains, photographs, paintings, vases, or furniture. An independent filmmaker would gladly buy a license to film these objects, where a license is required. But if the copyright owner cannot be found after a reasonable search, the filmmaker would be prevented from using the objects that best support a true and detailed story for fear that the copyright owner of a vase in the background might resurface and sue for a crippling injunction or statutory damages. The fact that the wallpaper, rug, or curtain, may have once been commercially exploited does not change the orphan works problem presented.

Similarly, there should be no distinction between commercial and non-commercial uses. Legislation limiting orphan works relief to noncommercial uses of works, as suggested by Mr. Perlman at the March 13 hearing, would provide little help to documentary and independent filmmakers, among many other types of follow-on users of copyrighted works. Not every commercial user is a large movie studio: the vast majority are small artists whose work is at some level commercial, even though it is not highly profitable. Moreover, thinking of orphan works in terms of profit versus nonprofit uses or revenue-generating versus non-revenue-generating uses[14]—even if these differences could realistically be defined—sets up a false dichotomy: both "commercial" and "noncommercial" uses of orphan works can create valuable public access to cultural materials that are languishing and unusable as orphans.

Mr. Perlman also suggested limiting orphan works relief to a small subset of categories or uses, such as non-fiction works, documentaries, educational works or works made by 501(c)(3) organizations. We very much appreciate Mr. Perlman's attempt to meet the needs of documentarians. Unfortunately, however, this proposal is unworkable in practice. First, there seems to be no clear basis for these distinctions. We agree with Mr. Adler of the Association of American Publishers' observation at the hearing that it would be "ironic" to offer relief to non-fiction works while giving no relief to more expressive fictional works. A parallel irony exists for documentary versus narrative films. Such a distinction seems counter to the principles of copyright law, which is intended to encourage creativity of all stripes. We see no policy reason to grant relief for uses of orphan works in documentary films but not other films. The purpose of orphan works legislation is to remove barriers to the use of abandoned works that would go unused due to high risks of liability; this purpose would not be furthered by drawing arbitrary distinctions between various classes of follow-on creativity.

Second, it would be difficult—if not impossible—to draw bright lines between categories of uses, in the first place. For example, what would be the legal definition of a documentary? At what point does a work become entertainment rather than educational? Even the line between fiction and non-fiction is blurry. It seems awkward for orphan works relief to depend on such subtleties. More importantly, the inevitable uncertainty such distinctions would create would eliminate the benefits of orphan works legislation for filmmakers struggling to understand whether their films would be seen as belonging in one category or another.

The proposals to consider the commercial exploitability of an orphan work and the commercial/noncommercial uses of the follow-on work in the testimony of Ms. Kevorkian and Mr. Perlman respectively make it clear that owners of visual works have sincere concerns. Ms. Kevorkian also expressed legitimate concerns about the misuse of an orphan works exception, mainly dealing with "bad faith" infringers (as

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[13] *See id.*

[14] *See* Balancing the Interests of Copyright Owners and Users: Hearing on Promoting the Use of Orphan Works Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. On the Judiciary, 110th Cong. 8 (2008) (statement of Victor S. Perlman, General Counsel and Managing Director, American Society of Media Photographers, Inc.).

opposed to the orphan works users who are "good faith" infringers under the legislation). Textile manufacturers fear that an orphan works bill will limit their remedies against these bad faith infringers, and photographers and textile manufacturers have both voiced concerns about the practical difficulties small artists face in enforcing their copyrights due to the high cost of litigation. As copyright holders ourselves, we know that these problems pervade copyright law and that they are serious. They are not, however, side effects of properly-crafted orphan works reform. First, orphan works relief requires a good faith, reasonably diligent search—something a bad faith infringer will not do. Second, orphan works reform only limits enahanced remedies; reasonable compensation is still required. Further, we support a provision like §514(b)(1)(B)(ii) of H.R. 5439 requiring a user to negotiate reasonable compensation with a resurfacing owner in good faith. For legitimate orphan works users, a reasonable license fee would thus be reached efficiently and without the need for litigation. Litigation costs should only arise in the case of the bad faith infringer who refuses to negotiate—in which case full remedies can be brought to bear.

Finally, the causes of Ms. Kevorkian's and Mr. Perlman's overall concerns do not lie with orphan works policy, but rather with a general inability to be found. We propose visual registries (please see below) to specifically address visual artists' needs—to help owners be found and their works lawfully exploited.

Recognition Technology Can Be Used to Address Visual Artists' Concerns

The orphan works record shows that visual artists have long claimed that their objection with an orphan works solution is that it exacerbates the problem of being disassociated with their works. As explained by Ms. Gura from PicScout at the hearing on March 13, current visual recognition technology would allow a user to submit a photograph and digitally match it against an existing set or database of images. Unfortunately, the current Copyright Registry only allows a user to conduct text-based queries and recent updates were not designed to return visual search results. Applying visual recognition technology to a copyright registry would ensure that visual artists stay associated with their work, help those users who want to locate these owners, and help owners exploit their creations.

Through discussions with the Copyright Office and testimony by Register Peters at the March 13 hearing, we have learned that the Office does not have the technical expertise with recognition technology to create such a visual registry, and its creation would come at considerable time and expense. The market may be better equipped to provide solutions in the form of publicly accessible recognition-based registries of copyrighted works that are technologically open and developed in the marketplace.

To adequately address the concerns of owners and users, we have proposed the following guidelines for market-based registries to follow: 1) each registry must ensure that each work have with it data that keeps the work associated to the owner and any copyright registration number; 2) queries of the registry must be freely accessible to the public and include the ability to match a sample to the registry's database as well as allow users to limit results based on descriptions, keywords, and other identifying characteristics; 3) access to the registry database should be technologically open and machine readable; and 4) unless otherwise permitted by the owner, the public's search results should be limited to matches of lower resolution, but still identifiable to avoid concerns of infringement.

There are a number of services available to the public, like the aforementioned PicScout, that today address owners' concerns. Online photo websites like Flickr.com allow photographers and users alike to upload, categorize, describe, and maintain their photo collections in an openly searchable image database that can be queried based on user, keyword, type of license, and even color. Riya.com and its service Like.com take search further and apply visual object and facial recognition to help users organize and find images of specific people or objects that look like one another.

To the extent these recognition-based registries are formally contemplated by any orphan works legislation, visual works such as photographs, illustrations, textiles, paintings, and drawings, should not be exempted (temporarily or otherwise) from use by a would-be orphan works user. To bifurcate the application of orphan works policy based on the kind of work would inequitably limit the orphan works policy to a small group of users. The creation of these registries, nor any Copyright Office granted statutory capacity to certify these registries, should not inordinately delay the effective date of an orphan works bill.

"Chain of Interest" Protection and the Attribution Requirement

We agree with the *Report*'s recommendation that an attribution requirement can function as a way to advertise the use of orphan works to potential owners, thus encouraging them to step forward. More generally, artists appreciate and follow the general convention of crediting authors and other creative contributors to a project, and we expect others to do the same for us. However, when an attribution is "appropriate under the circumstances" must be clarified in statutory language and legislative history so that the steps required to meet it are not unnecessarily complicated or vague. Unless the attribution requirement is clear, the validity of the attribution might become a target for attack by an emerging owner seeking to disqualify the use of an orphan work from the purview of this proposed legislation.

We also would like orphan works legislation to provide some clarity as to when a user can reasonably rely upon the results of a third party's search. The mechanisms of many media industries require a downstream user to rely on the reasonable search efforts undertaken by another party, but still within the context of a single "use" of an orphaned work. For example, a film's distributor should not be required to conduct a brand new search, after the filmmaker has already done so, in order to obtain protection. Indeed, the *Report* mentions that it might be reasonable under certain circumstances for a user to rely on the search conducted by another.[15] At the same time, we agree with Mr. Adler of Association of American Publishers that "the responsibility to conduct a reasonably diligent search . . . attaches to each use of the work," and that subsequent users in unrelated matters should not necessarily qualify for reduced remedies simply by referring to a prior user's search.[16] However, without further clarification on this matter, it remains unclear when a user can rely upon the results of a previous third party search.

Conclusion

In conclusion, we would like to thank Chairman Berman, Ranking Member Coble and members of the Subcommittee for the opportunity to address these important matters surrounding orphan works legislation. We would also like to thank the Copyright Office for its efforts and valuable insights, and all the stakeholders with whom we have been working toward the important goals of mapping and solving the loss of valuable cultural products caused by the orphaning of copyrighted works.

Providing the public with broader exposure to valuable works from our cultural heritage is truly within reach. We commend the Subcommittee's efforts to bring parties together to collectively craft working legislation. We look forward to working with other stakeholders toward a mutual solution to meaningful and effective orphan works legislation.

Coalition Organizations:

Doculink: an association of Los Angeles documentary filmmakers that meets regularly to review the projects and problems of local filmmakers. (http://www.doculink.org)

FIND (Film Independent): a non-profit membership organization that is home of the Spirit Awards and the Los Angeles Film Festival. FIND offers some 500 programs, seminars, screenings, and other events each year. (http://www.filmindependent.org)

International Documentary Association (IDA): a non-profit organization representing the interests of documentary filmmakers. IDA represents nearly 3000 members in 50 countries around the world. (http://www.documentary.org)

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[15] *Report*, p. 9.

[16] *See* Balancing the Interests of Copyright Owners and Users: Hearing on Promoting the Use of Orphan Works Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. On the Judiciary, 110th Cong. 5-6 (2008) (statement of Allan Robert Adler, Vice President of Legal and Governmental Affairs, Association of American Publishers, Inc.).

IFP (Independent Feature Project): a not-for-profit membership organization designed to foster a more sustainable infrastructure that supports independent filmmaking and ensures that the public has the opportunity to see films that more accurately reflect the full diversity of the American culture. Founded in 1979 and headquartered in NYC, there are IFP organizations in Chicago, Minneapolis/St. Paul, Seattle, and Phoenix. It is the largest membership organization in the United States dedicated to independent film. (http://www.ifp.org)

National Alliance for Media Arts and Culture (NAMAC): a non-profit association dedicated to the support and advocacy of independent film, video, audio, and online/multimedia arts. NAMAC represents over 350 member organizations, which in turn represent at least 400,000 media artists and others working in the media field. (http://www.namac.org)

Public Knowledge is a public-interest advocacy organization dedicated to fortifying and defending a vibrant information commons. Public Knowledge works with wide spectrum of creative artists, including filmmakers, musicians, creative writers, dancers, and visual artists to ensure that their interests are represented in copyright and communications policy debates. (http://www.publicknowledge.org)

Tribeca Film Institute: an organization dedicated to innovation in film and media, the enrichment of audiences, and the promotion of education, understanding, and creativity through the media arts. Tribeca Film Institute represents over 350 Media Artist Fellows in the United States, and its programs have been used in over 400 public libraries in 48 states. (http://www.tribecafilminstitute.org)

ILLUSTRATORS'
P A R T N E R S H I P

845 MORAINE STREET MARSHFIELD, MASSACHUSETTS USA 02050
T (781)837-9152 www.illustratorspartnership.org F(781)837-9152

Written Statement of Brad Holland and Cynthia Turner on Behalf of The Illustrators' Partnership of America

The Subcommittee on Courts, the Internet and Intellectual Property
Committee on the Judiciary
U.S. House of Representatives

Concerning
Orphan Works Legislation

March 20, 2008

Mr. Chairman and Members of the Subcommittee, while this statement is being filed by the co-chairs of the Illustrators Partnership of America, it reflects a statement previously submitted to the Copyright Office and endorsed by 42 national and international organizations representing a broad spectrum of the commercial and fine artists who make their living from the exercise of the exclusive rights guaranteed to them by the U.S. and international copyright law and treaties.

We regret that we were not informed in advance about this hearing or invited to testify. Because of the late notice our comments are necessarily brief and incomplete. We respectfully request that the subcommittee delay any action on the pending legislation until we have been able to inform its members fully about our concerns and to work with the subcommittee to address those concerns. It then may be possible to craft legislation that does not unfairly prejudice the interests of those whose livelihood depends on meaningful copyright protection. We also are concerned that the legislation, as drafted, may have spillover effects on a wide variety of copyrighted works that are important to a growing and healthy U.S. economy in the information age.

Under this legislation, as we understand it, effective copyright control to a work, including works of visual art, would require submission of a copy or copies of the work to as yet-to-be created private registration companies that would use untested technologies to scan images submitted by unlicensed users. These users would then be excused from any liability for infringement unless the legitimate rights holder responded within a certain period of time to grant or deny permission to use the copyrighted work. This is a radical departure from any existing business models or practices in the field of copyright.

Further, it radically abridges the fundamental principal of exclusive rights granted to creators under the copyright law, and creates a sweeping compulsory license permitting large scale unauthorized use of not only older works, the provenance of which may be difficult to determine, but also of the valuable contemporary works that are the economic life blood of those in our profession.

U.S. copyright law currently contains a number of statutory licenses that legitimize either *de minimus* use of a work created principally for other uses, or that deal with the special needs of not-for-profit organizations and others that skirt the boundaries of fair use. However, all of these statutory licenses provide for a system of remuneration to the copyright owner for uses that have not been directly authorized. This legislation is neither limited to *de minimus* uses of works nor does it provide a method of compensation for such uses.

The cavalier disrespect for the fundamental principle of exclusive authors' rights that is inherent in the Copyright Office's legislative scheme is reflected in the following colloquy between this author and the General Counsel of the Copyright Office at a meeting in which he responded to the concerns of visual artists about the potential harmful effects of this legislation.

> *Holland:* If a user can't find a registered work at the Copyright Office, hasn't the Copyright Office facilitated the creation of an orphaned work?
> *Carson:* Copyright owners will have to register their images with private registries.
> *Holland:* But what if I exercise my exclusive right of copyright and choose not to register?
> *Carson: If you want to go ahead and create an orphan work,* be my guest!
> (From the author's notes of the meeting.)

We believe strongly that this legislation as now written violates the obligations and commitments of the United States under Article 5 (2) of the Berne Convention on Literary and Artistic Rights which states:

> The enjoyment and the exercise of these rights shall not be subject to *any formality.* (Emphasis added)

This Berne Convention principle has been incorporated into the Universal Copyright Convention and Article 13 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). These agreements acknowledge narrow limitations and exceptions to the exclusive right of copyright – so long as the exceptions don't exceed the constraints of the TRIPS **Three-Step Test**:

> Member [countries] shall confine limitations and exceptions to exclusive rights to:
> (1) certain special cases
> (2) which do not conflict with a normal exploitation of the work
> (3) and do not unreasonably prejudice the legitimate interests of the rights holder.

Legal scholars Jane Ginsburg and Paul Goldstein have warned that Orphan Works legislation must precisely define the scope of its mandate or fail to meet the three-step-test. As they wrote in their submission to the Orphan Works Study:

> [T]he diversity of [orphan works] responses highlights the fundamental importance of **precisely defining the category of "orphan" works. The broader the category, or the lower the bar to making the requisite showing of due diligence, the greater the risk of inconsistency with our international obligations to uphold authors' exclusive rights under copyright.** Compliance with Berne/TRIPs is required by more than punctilio; these rules embody an international consensus of national norms that in turn rest on long experience with balancing the rights of authors and their various beneficiaries, and the public. **Thus, in urging compliance with these technical-appearing rules, we are also urging compliance with longstanding practices that have passed the test of time.** 1., p. 1, OWR0107-Ginsburg-Goldstein (Emphasis added).

We do not believe the Copyright Office proposals address the concerns of professors Goldstein and Ginsburg and would, if enacted, subject the United States to complaints of treaty non-compliance at the World Trade Organization. And, we would expect the international reprographic and artists rights societies which endorsed our submissions to the U.S. Copyright Law would be able successfully to encourage their governments to bring such complaints.

As the world's leading creator and exporter of copyrighted works, the credibility of efforts of the United States to secure effective international enforcement of copyright would be materially weakened by the enactment of this proposed legislation. Certainly any law that prevents effective remedies or imposes arbitrary burdens on the right to bring infringement actions – much less provide for compensation for *de minimus* uses – would be seized upon by those in other countries who wish to defend piracy of U.S. works.

In addition to our concerns about the compulsory licensing aspects of this legislation we would like to acquaint the subcommittee with the unique characteristics of illustration and other visual works of art that distinguish us from those who create other categories of copyrighted works such

as literary works, songs and films. Unlike these other categories of works, works of visual art lack universally accepted titles that would allow users to search for them by name. Therefore the role of image recognition technology is critical. This technology is still in its infancy, is untested, and its use raises a number of very practical concerns. Among these concerns:

- The number of works created by the average visual artist far exceeds the volume of the most prolific creators of literary, musical and cinematographic works;
- The cost and time-consumption to individual artists of registering tens of thousands of visual works, at even a low fee, would be prohibitive; therefore
- Every artist would see thousands of his creations potentially orphaned from the moment of creation.
- No registry would be meaningful until billions of pre-existing works (both published and unpublished) from artists (both living and dead) have been digitized; but
- Few, if any, living artists could afford the time and expense of digitizing and registering a backlog of tens of thousands of their own works; therefore
- Countless working artists would find countless existing works orphaned from the

Further, we have a number of unanswered questions about how the registries that are key to this legislative scheme would work, such as:

- Who is to be trusted with this [these] valuable database(s)?
- Why should any professional creator be forced to entrust his or her entire creative inventory to the control of other commercial entities?
- What happens when a registry is hacked?
- What happens when it's acquired?
- The contents of these image registries will be more valuable than secure banking information. What happens when the terms of service are changed?
- What happens when registration fees become prohibitive?
- What if individual artists cannot afford to maintain their immense bodies of work in competing registries?

Finally, we are concerned that, even if artists do comply with these coercive measures, they might still find their work orphaned. Let's say an artist registers tens of thousands of images with one or more commercial registries. A user searches for one of his images and makes a match. The user contacts the artist and asks to use the art for a silly or distasteful ad. Or he asks to use the art for free. Most artists already see such inquiries and we know there aren't enough hours in the day to deal with them. **Yet under this law, we would be obligated to respond to every irresponsible request!** All this uncertainty would drive ordinary business transactions into the courts where uncertainties would multiply: judges unfamiliar with commercial markets would routinely have to render decisions regarding countless disputes in fields in which they lacked expertise.

The imposition of coerced registration in the U.S. could force foreign rightsholders to pay to register their work with U.S. registries, inviting foreign governments and business to retaliate in unpredictable ways.

And, many of the images to be affected by these proposals will be works created since 1976, when the current copyright act was passed. That law promised artists that their art would be protected even if it was not marked and registered. Yet if the Copyright Office proposals become law, any unmarked picture created in compliance with the 1976 law will become an instant

potential orphan. Countless rightsholders will be penalized for not having done over the last 30 years what the law never required them to do.

We appreciate the ability to submit these comments and look forward to working with the subcommittee to address our concerns.

– Brad Holland and Cynthia Turner, for The Illustrators' Partnership of America

ASSOCIATION OF
AMERICAN PUBLISHERS, INC.
50 F Street, NW, 4th Floor
Washington, D.C. 20001
Telephone 202 347-3375
Fax 202 347-3690

For Immediate Release

Contact: Judith Platt (202) 220-4551
Deidre Huntington (202) 220-4550

PUBLISHERS URGE PASSAGE OF 'ORPHAN WORKS' LEGISLATION

Washington, DC, March 13, 2008: The publishing industry today urged Congress to take long overdue legislative action to address the problem of "orphan works" – works under copyright whose owners cannot be identified or located by third parties seeking permission to use the works.

Testifying on behalf of the Association of American Publishers (AAP), Allan Adler, AAP Vice President for Legal & Government Affairs, told the House Judiciary Committee's Subcommittee on Courts, the Internet and Intellectual Property that book publishers, as both users and producers of copyrighted works, have an important stake in achieving an equitable and workable statutory solution, and have been deeply involved in the process leading up to the introduction and approval of remedial legislation by the Subcommittee in the spring of 2006. Mr. Adler urged that the earlier bill, the "Orphan Works Act of 2006," provide the starting point "for a push to enact orphan works legislation before the end of the current Congress later this year."

Mr. Adler endorsed the "minimalist" approach taken in the 2006 legislation, which stipulated that if the user of a copyrighted work has performed a "reasonably diligent but ultimately unsuccessful" search to locate the copyright owner and that owner later turns up and sues for infringement, the user would be entitled to the benefits of limits on the compensation and injunctive remedies available to the owner. However, he noted the need for clarification of the criteria for a "reasonably diligent" search, including instances where the search is carried out by third parties or instances involving multiple, unrelated uses of a copyrighted work.

Mr. Adler also urged that State entities *not* be permitted to claim the proposed limitation on remedies protection. He pointed out that under the 11th Amendment's sovereign immunity provision, State entities cannot be liable for monetary damages, but can be enjoined from further infringing uses. Were State entities allowed to avail themselves of the orphan works limitations, then copyright owners who came forward with an infringement claim against a State entity which balked at providing "reasonable compensation," would be left with no recourse.

The Association of American Publishers is the national trade association of the U.S. book publishing industry. AAP's more than 300 members include most of the major commercial publishers in the United States, as well as smaller and non-profit publishers, university presses and scholarly societies. AAP members publish hardcover and paperback books in every field, educational materials for the elementary, secondary, postsecondary, and professional markets, scholarly journals, computer software, and electronic products and services. The protection of intellectual property rights in all media, the defense of the freedom to read and the freedom to publish at home and abroad, and the promotion of reading and literacy are among the Association's highest priorities.

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