



IMPLEMENTING THE GOWERS REVIEW OF INTELLECTUAL PROPERTY: ORPHAN WORKS

AN ADDITIONAL PAPER FROM THE BRITISH SCREEN ADVISORY COUNCIL (BSAC)

Introduction

BSAC submitted a detailed paper about copyright and orphan works to the Gowers Review of Intellectual Property. That paper identified some possible solutions to permit use of orphan works and favoured an exception approach. The main purpose of this short paper is to set out some additional solutions that we did not explore earlier. We also provide additional comments about legal constraints arising from EU law.

Our preference remains the exception approach of our earlier paper. We are keen to see a solution that would permit secure use of orphan works without risk of a damaging claim for infringement should a right holder subsequently emerge, but with a fair payment to the right holder at that point. The exception approach delivers this and a number of other advantages, as we explained previously. However, we are aware that some other stakeholders may be less convinced about an exception approach, and that legal constraints from EU law in particular may limit the choices available to deliver a solution. We have, therefore, produced this paper in order to facilitate the very welcome constructive debate on the issue of orphan works that the IPO has recently initiated. We hope that it will assist the IPO in its search for the best way forward so that a solution can be delivered as soon as possible.

Diligent search

It is, we believe, generally agreed that any solution that might permit use of orphan works must commence with a diligent search for right holders. The aim should be to find right holders so that permission to use works can then be requested. The level of effort that should be undertaken to try and do this, and how to spread best practice about what that might entail, were covered in our paper to the Gowers Review.

We are prepared to explore alternatives to our suggestion on how a diligent search for right holders might be defined and what this might mean in practice. (We proposed that a person should search using their ‘best endeavours’.) We have therefore been pleased to participate in the work at EU level under the European Digital Libraries Initiative to agree sector specific guidelines on a diligent search for right holders, in the context of digitisation of orphan works by libraries and archives contributing to the European Digital Library. Our engagement in this work has been informed not only by the experiences of the British Film Institute, which

is represented by one of BSAC's members, but also the interests of other BSAC members operating in the commercial world. BSAC can, therefore, address the issue of orphan works taking into account the needs and views of a broad range of right holders and users of copyright material. The wide cross-section of interests represented by BSAC members is also relevant to the paper we submitted to the Gowers Review.

The joint report and sector specific reports resulting from the EU work have now been published. BSAC was delighted to be one of the first organisations to endorse the joint report and the audiovisual working group report in early June. Although limited to use of orphan works by libraries and archives working in the context of adding to the European Digital Library, the guidelines are likely to be a good starting point for considering more general guidelines, including prior to commercial use of orphan works. We would be pleased to participate in any work that the IPO might initiate in the UK to build on the guidelines in order to make them appropriate for use in the UK.

Legal constraints

The paper submitted by BSAC to the Gowers Review identified possible constraints in EU and international law that might make our preferred solution of an exception to rights difficult. We note that in its recent response to the report on the operation of the Copyright Tribunal from the Innovation, Universities and Skills Select Committee, the Government has said that for 'an orphan works exception under UK law which respects our international obligations, there would need to be an amendment of EU law'. Although for a general exception to permit use of orphan works this is consistent with the conclusion we reached in our paper to the Gowers Review, EU law would certainly seem to permit exceptions for many types of use of orphan works. (Many of the activities set out in Article 5 of the 2001 copyright Directive could presumably be permitted under an exception applying to orphan works.) This would not provide a complete solution and would as such not be favoured by BSAC as the only approach to be taken. We are particularly concerned that any solution should permit commercial as well as non-commercial use of orphan works and there are fewer permissive areas for exceptions where uses have a commercial purpose. However, it may be appropriate for the IPO to explore what exception provision might clearly be consistent with EU law and how far this might go towards meeting the problems that have been identified by BSAC and others.

EU law on copyright must, of course, be considered alongside other laws such as the law on competition and there are certainly precedents for rights under copyright to be limited where interactions between laws arise, such as in the case of the compulsory licensing provisions applying to TV programme listings. It may, therefore, also be appropriate to consider, for example, whether the effective monopoly provided by copyright, which prevents any use of orphan works because there is no-one to negotiate use with, is anti-competitive. We are not necessarily suggesting that this would provide an appropriate or workable approach to a solution providing statutory provision to permit use of orphan works under an exception to rights or otherwise. But we would urge the IPO to explore possibilities here too.

Moreover, Article 5 of the 2001 copyright Directive constrains exceptions or **limitations** to rights, ie not just exceptions. So solutions, such as that in Canada that have the effect of limiting rights by granting what amounts to a compulsory licence, may on the face of it be no more compatible with EU law than an exception approach. A 'licence' issued by a body like

the Copyright Tribunal clearly limits a right holder's ability to exercise copyright in the normal way. It may be, however, that such legislative solutions can be justified other than as exceptions or limitations compatible with Article 5, but that such justifications can also apply to solutions that are of the exception type, as we proposed in our earlier paper.

We, therefore, urge the IPO not to dismiss an exception approach to provide a statutory solution to permit use of orphan works as unworkable within the framework of current EU law without exploring all these angles. We would be pleased to discuss the legal constraints and possibilities, that may nevertheless still exist, with the IPO further should that be helpful.

Of course, one solution to any legal constraints in EU law is an amendment of that law. Indeed, the Commission has recently launched a public consultation on its Green Paper on Copyright in the Knowledge Economy which explores possible amendments to EU law, including in relation to orphan works. Whether or not this might give rise to an appropriate amendment to the Directive within a reasonable timescale is debatable. We would be interested in the IPO's views on what they think might be realistic in this respect.

Insurance

Turning to additional alternatives to permit use of orphan works that could be explored, the first is insurance. This would be a non-statutory solution and in that respect may initially seem attractive, given possible constraints in EU law. An insurance approach would be where, in return for a payment, an indemnity against the costs of being sued for infringement (and possibly the costs of paying a past and continuing royalty fee too) is given. As with other solutions, the provider of insurance would require a user of an orphan work to do a diligent search for right holders first. The insurance provider is likely to want to specify the level of search needed, or check that an appropriate search has been undertaken. Then, where a right holder turns up after an unsuccessful diligent search and use of the orphan work has commenced, the insurance provider would cover the costs of any claims for infringement made against the user. These costs would, of course, include the cost of defending any legal action as well as paying the legal costs of, and any damages awarded to, the right holder. In many cases where a right holder turns up after use of an orphan work has commenced, the right holder, is, however, likely to agree a royalty payment for past, and even continued, use of the work rather than sue for infringement. The insurance provider may also have agreed to provide the user of the orphan work an indemnity against any payment of royalties that are subsequently agreed.

Insurance against the costs of using an orphan work could be provided by commercial entities or not-for-profit bodies. Indeed, the provision that the Copyright Licensing Agency (CLA) has announced it is planning for users of orphan works of the type that they collectively license more generally does seem to be of the nature of insurance, even though the CLA does not seem to be using this term. It is not in our opinion legally possible for the CLA to actually license use of orphan works in the absence of any statutory provision saying that they can, or must, represent the interests of unknown or untraceable right holders. Even if a payment is called a licence fee and in return a user is given an indemnity against certain costs should a right holder turn up, the provision is in effect insurance in return for payment of an insurance premium.

Although insurance is superficially very attractive as a solution to the orphan works problem, and may, indeed, provide a perfectly reasonable solution in many scenarios, it is in our opinion not sufficient as a solution. This may be more likely to be the case for use of an orphan work in the audiovisual sector than some other areas. An audiovisual production normally includes a large number of different copyright works and the orphan work might be just one of these works. For example, a documentary maker may want to use a clip from an old newsreel in which the right holder cannot be found, but may have used other clips in which rights have been cleared as well as, say, music, photographs and literary material, where right holders have all given permission. The investment in the production is likely to have been considerable, but with the expectation of gaining a return on this investment from a number of ways of exploitation both in this country and others, and over several years. Investment in the production of a feature film will have been even more significant. The total spent on UK film production in 2007 has been reported by the UK Film Council as £747 million with £141 million attributed to feature films.

Where a right holder turns up after use of an orphan work has commenced, as well as seeking royalties for use/continued use and/or damages for past use which was, of course, in legal terms an infringement of copyright, the right holder can in addition seek an injunction against any further use of their work. Of course, such an injunction might not be granted. But the nature of copyright is such that it normally does permit a right holder to refuse permission to use his work, so there will always be the possibility that an injunction would be granted where a right holder does not want his work to be used. An injunction against continued use might not be a significant problem where a work that was thought to be orphan has been added to a digital database in its entirety and its presence or absence in that database does not significantly affect the integrity of the database. The work that was thought to be orphan can simply be deleted and the terms of the injunction have been met. However, removing such a work from an audiovisual production, which depends for its integrity on use of that work, is not an easy option. Technically such removal is more difficult than deleting a work from a database. Moreover, the production may be of little value without that work; there may be no other work that could be used as an alternative to the one that must be removed for example. Indeed, it may in an extreme case make the audiovisual work valueless if it is not possible to continue to use the orphan work.

Any insurance relating to use of an orphan work would, therefore, have to provide an indemnity against the costs of investment in film production if there is a possibility that an injunction relating to a work thought to be orphan means that the film cannot be exploited to gain a return on that investment. As the costs here could be very high, insurance premiums providing an indemnity against such a risk might be such a significant cost that use of the orphan work does not make sense. Finding insurers prepared to cover such a risk might also be a problem. Insurance does not, therefore, look to us to be such a useful solution, but we would be interested to know about any discussions that the IPO has had with possible insurers about such a solution. However, even if insurance is available at an affordable price to cover all the risks we have identified, the possibility that a film, which could be of wide interest to consumers, might have to be withdrawn because of the inclusion of an orphan work is in our view not a desirable outcome.

Continued use after a right holder has emerged was an issue that we covered in our paper to the Gowers Review – see page 33. We concluded that where an orphan work has been used in a derivative work, or where there would be significant financial hardship to a user, use of a

work that was thought to be orphan must be allowed to continue after the right holder has turned up, albeit with a royalty paid to the right holder. Without statutory provision limiting a right holder's ability to seek injunctive relief however, this cannot be guaranteed. An insurance policy cannot prevent a right holder from seeking and getting an injunction and so is not an adequate solution. Of course, as we have already indicated, we would expect most right holders to be happy to permit continued use of their work against payment of a royalty. But in the audiovisual area there are likely to be many who would remain reluctant to use an orphan work, even if they have insurance, because there remains the risk that an injunction preventing continued use could be awarded against them. Only statutory provision would seem capable of providing a reasonable solution against the risk of injunctive relief being sought by an emerging right holder.

Extended collective licensing

BSAC cannot really comment on the feasibility of extended collective licensing in some areas to permit use of orphan works, not least because collective administration of rights in the audiovisual area is uncommon. However, we are aware that this approach, underpinned by legislation, exists in some other EU Member States and that some in the UK believe that it is an approach that should be adopted in the UK too. Extended collective licensing does not, though, seem capable of providing a solution where collective licensing of the works of known right holders does not take place and/or for uses where known right holders do not choose for those uses to be collectively licensed. In the audiovisual area, this would apply to many potential uses of orphan works.

The IPO will no doubt wish to explore the possible role of extended collective licensing in providing a solution for the orphan works problem further. BSAC would be happy to explain the limitations of this more should that be helpful. Moreover, were it to be decided that extended collective licensing could provide an appropriate solution in some circumstances, it would be possible for another approach such as one of those identified by BSAC to apply in other situations. In this respect, we have outlined below one way in which this could work.

Treated as licensed

Although our preferred approach to a solution to the problem of orphan works remains an exception, the additional model explained here provides many of the benefits of an exception approach. This additional model already exists in UK copyright law, applying to use of works in which copyright has been revived due to longer terms of protection being granted when the EC term Directive was implemented into UK law. The provision there is that use of works in which copyright has been revived is 'treated as licensed' subject only to payment of a royalty settled by the Copyright Tribunal in the absence of agreement¹. Although there is also another provision saying that copyright is not infringed by using a work in which copyright is revived, where it is not possible to ascertain the name and address of the copyright owner², this is in effect an exception to rights with no mechanism for payment to any right holder who turns up later and is not a model that we can support.

¹ See Regulation 24 of the Duration of Copyright and Rights in Performances Regulations 1995 (SI 1995 No. 3297)

² See Regulation 23(4) of the Duration of Copyright and Rights in Performances Regulations 1995 (SI 1995 No. 3297)

A ‘treated as licensed’ approach to orphan works might be provided in UK copyright law as follows:

- A diligent search to identify and/or locate the copyright owner should be carried out to meet a standard specified. In our earlier paper we said that the level of search should be conducted to a person’s ‘best endeavours.’ But we would encourage the IPO to explore whether this or another approach is the right way to define in statute what the search should be. Searching for right holders, as we have already said, would apply to any/all solutions to the orphan works problem and this would be the case for this approach too.
- Where it is not possible to identify and/or trace the right holder after a diligent search, any use of a work that is restricted by copyright shall be ‘treated as licensed’ subject to payment of a reasonable royalty to any right holder subsequently emerging.
- Where the payment cannot be agreed between the right holder and user, it would be determined by the Copyright Tribunal.
- In order to ensure that there is a public record of any exercise of this deemed licence, any person wishing to exercise the deemed licence, after having failed to identify and/or trace the copyright owner, must notify the Copyright Tribunal of their intended use.
- The Copyright Tribunal would then ideally publish any notices of intended use (probably on its website), but nothing else would happen unless a right holder turns up. Thus, the responsibility for carrying out the diligent search to the required standard rests with the user and the Tribunal does not in any way check that it is appropriate or anything else. It would be possible for notification to be to a body other than the Copyright Tribunal. But it may be more logical and convenient for it to be the Tribunal given that it may have a role later on.
- It would also be possible to require a user to provide the Copyright Tribunal with details of the diligent search they have conducted. These could then be given to any right holder turning up and/or published by the Copyright Tribunal. We are not convinced that any or all of this would be appropriate. Not least because it may lead to the Copyright Tribunal having to manage a large quantity of data that is not actually of very much interest, or use, to most people most of the time. However, there should at least be a requirement for a user of an orphan work to keep a record of any search they have undertaken and provide a copy of this to any right holder who turns up.
- It would, in addition, be possible for the deemed licence to be coupled with a payment to the Tribunal of what the user thinks is a reasonable royalty and then have the Tribunal hold this for a certain time in trust for any emerging right holder before returning anything unclaimed to the user. This would not entirely protect a user, as a right holder turning up may believe that a higher payment is appropriate, and ultimately the Copyright Tribunal may be called upon to determine the appropriate royalty. (Having the user decide the royalty until the Tribunal decides otherwise has some precedent in the statutory licence for use of sound recordings in broadcasts³, although in that case the user pays the royalty to the collecting society acting for the relevant right holders.) We are not in favour of requiring any payment to the

³ See sections 135A to 135G of the Copyright, Designs and Patents Act 1988

Tribunal, as it does seem unnecessarily bureaucratic when we would expect in the vast majority of cases that royalties would never be claimed.

The above is only an outline. Some of the issues that we explored in our earlier paper setting out our preferred exception approach might be relevant to consider and cover here too. Such as the situations where it may be justified to provide in statute for continued use, against payment of a royalty, of an orphan work after a right holder has turned up. Indeed, making provision in this respect would seem essential if the problems we identified above in connection with an insurance approach are to be avoided.

Extended collective licensing working with other solutions

As we have already said, it may be that the IPO will want to explore the role that extended collective licensing can play. If extended collective licensing is to be pursued, we believe that it will be very important to have some provision in statute to sanction which collecting societies can license what uses of what types of orphan works. It would be necessary to avoid a collecting society being able to claim a monopoly on licensing the rights of all unknown or untraceable right holders. That would seem incompatible with the current situation where it is perfectly possible for there to be more than one collecting society for licensing a particular use of a certain type of work. In the area of literary works, for example, there is already one collecting society licensing copying of extracts from books and journals and another for newspaper. So there would need to be a mechanism for deciding the scope of any extended collective licence that either of these collecting societies is able to offer. Users would find it very confusing if both collecting societies were to offer an extended collective licence covering copying of the same orphan works and the legality of the licences might also be doubtful.

An extended collective licence can, moreover, make no sense for uses where there is no ordinary collective licensing in the first place. Any statutory provision on extended collective licensing, therefore, in our view needs to be carefully constructed to avoid problems. It may, for example, be appropriate for extended collective licences to only be offered by a collecting society, where the Secretary of State has certified that the collecting society can represent unknown and/or untraceable right holders for a specified type of work and for specified uses. Any collecting society would be able to apply to the Secretary of State to seek clearance to represent unknown or untraceable right holders for a class of works in respect of one or more types of use. But the Secretary of State would be able to decide before certifying that activity that the works to be covered are of the same type as already licensed by the collecting society, not already being licensed by another collecting society and not being licensed for uses where the collecting society does not act in respect of known and traceable right holders.

As we have already said, there would still need to be provision to legalise uses of orphan works that cannot be covered by extended collective licensing. With the ‘treated as licensed solution’ we have outlined above, this might be provided so that a user can rely on a deemed licence (after conducting a diligent search and so on) where no collecting society has been certified by the Secretary of State to offer extended collective licences for that type of work and use. Where there is a solution such as our proposed ‘treated as licensed’ one working with an extended collective licensing solution, the certification process would in addition ensure that there is transparency for users about the availability of, and limits to, offers of extended collective licensing.

Mass digitisation

We are aware of some interests in the library and archive sector who would like to undertake mass digitisation of some of the material in their collections. This is certainly an issue that has been raised in the context of the discussions about orphan works under the European Digital Libraries Initiative. It probably has much less relevance in the area of audiovisual material, given the high costs of digitising this material. Nevertheless, we are aware that some interests have called for a simpler approach to clearance for use of orphan works to permit mass digitisation.

To look at mass digitisation issues and concerns from the starting point of orphan works is, however, in our view the wrong approach. The collections that people would like to digitise in this way are likely to contain some or much (depending on the type of material) material that is not orphan. So a solution that only applies to orphan works would leave this other material uncovered, as well as raising the question of how material where right holders are known and traceable can be easily distinguished from material where this is not the case, ie orphan works. Any solution that would facilitate mass digitisation, therefore, needs in our view to start by exploring how rights can be cleared easily, where right holders are known and can be traced, and then by considering whether this can be extended in some way to orphan material. Collective licensing and extended collective licensing may be the obvious solutions to explore here. The starting point being exploration of the extent to which known and traceable right holders are willing to offer collective licensing to enable mass digitisation.

Conclusion

We hope that this additional paper will facilitate the continued debate about orphan works and enable the IPO to move further towards identifying and providing appropriate solutions to permit their use in the UK. We also hope that this paper will facilitate any discussions that the IPO engages in with other countries to deliver solutions, that work at the EU or international level. Enabling use of orphan works by both commercial and non-commercial bodies remains an important policy issue for BSAC that we would like to see pursued and solved as speedily as possible. We would be delighted to discuss with the IPO anything we have raised in our earlier paper and this paper should this be helpful, as well as explore how else we might facilitate the development of the right policy to deliver the right solutions.