

# **The Use of Subject Matter with Missing Owners – Australian Copyright Policy Options**

**A discussion paper by David Brennan and Michael Fraser\*  
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## **Introduction**

This is a discussion paper which puts forward two copyright reform options to address the problem of missing or not locatable copyright owners. This is often referred to as the ‘orphan works’ problem. One reform addresses natural person users of unpublished subject matter whose purposes are non-commercial; the other addresses all users of published subject matter. This paper also makes the suggestion that copyright reform targeted at the facilitation of mass digitization and reuse projects should be separately resolved as a question of public policy.

The extent of the missing owner problem in Australia is an open question, and one that this paper will not explore. However, for the purposes of this paper, the hallmarks of the problem comprise the joint existence of:

- A good faith prospective copyright licensee whose proposed exploitation is ineligible for an existing exception to copyright; and
- A copyright owner who is not able to be located by that prospective licensee after a diligent search.

As to what amounts to ‘diligent search’ – a concept deployed in the two concrete reform proposals which follow – the following statement by the US Copyright Office in 2006 (in relation to its own reform proposal) supplies a meaning that we largely adopt:

The proposal adopts a very general standard for reasonably diligent search that will have to be applied by users, copyright owners and ultimately the courts on a case-by-case basis, accounting for all of the circumstances of the particular use. Such a standard is needed because of the wide variety of works and uses identified as being potentially subject to the orphan works issues, from an untitled photograph to an old magazine advertisement to an out-of-print novel to an antique postcard to an obsolete computer program. Each of these presents different challenges in trying to

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find a copyright owner, and what is reasonable in one circumstance will be unreasonable in another. It 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.<sup>1</sup>

However, because a feature of the second of the two concrete law reform proposals is a declared collecting society to administer an orphan works scheme, we would expect the society to formulate evolving guidelines and best-practice checklists to assist users in particular scenarios.

We assume that the missing owner problem exists to a sufficient degree to warrant serious law reform consideration. We also regard the problem to give rise to issues distinct from those related to the mass digitization and reuse of collections, albeit a mass digitization and reuse project may encounter missing owners as one of the problems that it faces. In this regard, we note that recent developments in the European Commission, WIPO and the UK suggest emerging and consistent trends. These include moves to create a music repertoire database,<sup>2</sup> to question the Berne Convention's bar on formalities,<sup>3</sup> to institute a copyright registry project,<sup>4</sup> and to suggest the facilitation of a digital copyright exchange.<sup>5</sup> The authors take the view that Australia should contribute to and participate in the global discussion on making licensing more efficient – particularly in view of the available technologies.<sup>6</sup>

In summary, the three central proposals of this discussion paper are:

**1. A non-commercial use exception for natural person using unpublished subject matter derived from lawfully obtained materials.**

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<sup>1</sup> United States Copyright Office, *Report on Orphan Works*, January 2006, 9.

<sup>2</sup> See generally: <http://www.globalrepertoiredatabase.com/index.html>

<sup>3</sup> European Commission, Comité Des Sages, *The New Renaissance*, 11 January 2011, 5, available at <[http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/reflection\\_group/final\\_report\\_%20c ds.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/reflection_group/final_report_%20c ds.pdf)>.

<sup>4</sup> WIPO, 'WIPO Director General Announces Rights Registry Project for West African States' [http://www.wipo.int/pressroom/en/articles/2011/article\\_0017.html](http://www.wipo.int/pressroom/en/articles/2011/article_0017.html) (press release of 8 June 2011).

<sup>5</sup> Ian Hargreaves, *Digital Opportunity – A Review of Intellectual Property and Growth* (2011), chapter 4 available at <http://www.ipo.gov.uk/ipreview-finalreport.pdf>

<sup>6</sup> Michael Fraser, 'UTS speaks: National content network – Access' (2010) 21 AIPJ 56.

2. A broader exception for any use of published material, subject to a user's compliance with a regime administered by a declared collecting society.
  
3. No exception specifically facilitating mass digitization and reuse of collections can be considered until a review, possibly by the Australian Law Reform Commission, is conducted about the extent that such projects ought to be facilitated, including through the creation of conditions for more efficient licensing. However such mass digitization and reuse projects should in any event be able to fully avail themselves of the flexibility created under proposal 2.

### The treatment of missing copyright owners in other territories<sup>7</sup>

The identification of the missing owner problem is not recent, and a specific legislative measure has existed in Canada since 1988. However it remains a largely unresolved issue and it is unclear that any copyright territory (including Canada) has created or proposed a legislative model that has attracted widespread acclaim. It is possible to summarise the landscape in Canada, the USA, New Zealand, the UK and the EU in the following table:

Canada	Jurisdiction in the Copyright Board of Canada since 1988 to confer <i>ad hoc</i> compulsory licences under section 77 of the Canadian Copyright Act once 'the Board is satisfied that the applicant has made reasonable efforts to locate the owner of the copyright and that the owner cannot be located'
USA	<p>No specific legislative measure, although a 2006 US Copyright Office Report recommended that after a 'good faith, reasonably diligent search' fails to locate the copyright owner, remedies for any ensuing infringement were confined to</p> <p>For monetary relief:</p> <ul style="list-style-type: none"> <li>• The payment of 'reasonable compensation for the use of the infringed work' for commercial use, or</li> <li>• No monetary relief for non-commercial use if infringement ceases expeditiously upon copyright owner notice</li> </ul> <p>For injunctive relief:</p> <ul style="list-style-type: none"> <li>• Where there has been derivative use and reasonable compensation is paid, no injunctive relief is available, or</li> <li>• Injunctive relief is available in other cases so long as due allowance is made for any loss caused by reliance upon the remedial limitation</li> </ul>

<sup>7</sup> This section draws upon extensive research undertaken in January 2011 by Madeline Livesy, who was then based within the Communications Law Centre, UTS.

	<p>This 2006 proposal formed the basis of several failed Bills that were introduced to Congress in 2006 to 2008. Opposition by photographers in particular was a central impediment to reform.</p>
NZ	<p>A specifically-focussed reform measure (a remunerated exception in effect) is currently before the NZ Parliament to enable TVNZ to communicate to the public (and authorise certain others to communicate) programming in its archive made prior to 27 May 1989 - the time of deregulation of NZ broadcasting. Such programming is defined as a programme made by the Broadcasting Corporation of NZ or its predecessors:</p> <ul style="list-style-type: none"> <li>(i) on or before 27 May 1989;</li> <li>(ii) held in the TVNZ Archive; and</li> <li>(iii) in which the TVNZ now holds sole copyright.</li> </ul> <p>The third condition upon eligibility highlights the narrow nature of the proposed scheme as a copyright exception. In relation to those holding (most obviously residual contractual) rights in relation to the eligible programming, TVNZ is required to give public notice of an intention to avail itself of the scheme, and the scheme contemplates affected rights holders registering an interest and TVNZ making compensatory market value payments as determined by an assessor.</p>
UK	<p>There is no specific legislative measure however a regime was contained in the Digital Economy Bill as introduced in 2009. This mapped out an extended collective licensing scheme for orphan works, whereby a licensing body could grant authorisation to persons to do acts that would otherwise require the consent of a missing copyright owner. Extended collective licensing refers to the deeming, under statute, of complete repertoire coverage by a collecting society who represents a significant number of rights holders. It is particularly prevalent in Nordic countries. Salient features of the never-enacted UK regime included:</p> <ul style="list-style-type: none"> <li>• A diligent search standard imposed upon the person to be authorised</li> <li>• A requirement that the person to be authorised make a public notice of its intention to avail itself of the regime</li> <li>• That the person to be authorised was required to hold notional royalties for the missing owner for a regulated period</li> <li>• That each person authorised was required to keep a publicly-available orphan works register, with regulations to specify its nature</li> </ul> <p>Opposition to the regime – in particular generated by photographers – coupled with uncertainty about its compatibility with EU law, led to its removal prior to enactment of the Digital Economy Act 2010. However recommendations in a 2011 review conducted by Professor Ian Hargreaves called for extended collective licensing of orphan works for mass digitization projects and <i>ad hoc</i> compulsory licensing in cases involving individual works – with a suggestion that ‘in most cases the fee for use of orphan works would be nominal’. The review also suggested that the UK government should seek to cause the creation of a Digital Copyright Exchange.</p>
EU	<p>In 2011 at European Commission-level there has been:</p> <ul style="list-style-type: none"> <li>(i) A suggestion by the European Commission’s Comité des Sages (a high-level reflection group) for a Directive on orphan works, and that future orphan works should be avoided by some form of registration of copyright being made a precondition for the full exercise of rights. For the latter the group suggested that</li> </ul>

	<p>discussion on reforming the Berne Convention to modify its prohibition on formalities should be taken up within WIPO</p> <p>(ii) A Draft Directive was then published by the European Commission proposing that certain uses of orphan works by libraries, educational institutions, museums, archives, film heritage bodies and broadcasters should be the subject of a copyright exception, and mandating extended collective licensing more generally for the benefit of those users. Orphan works were defined in the Draft Directive by a diligent search standard.</p>
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The NZ proposal tied to TVNZ’s use of its archival material should be put to one side. It is a very narrow proposal, and as it is limited to works in which TVNZ owns the ‘sole copyright’. It is not in truth so much a missing copyright owner solution as a type of measure which facilitates mass digitization and reuse, and will be discussed again below. Indeed, to the extent that the EU Draft Directive confines those entitled to any exception as ‘publicly accessible libraries, educational establishments, museums or archive, film heritage institutions and broadcasting organizations’ it too can be considered as having a mass digitization and reuse focus. This can be contrasted with the proposed UK regime which put forward extended collective licensing as more broadly-based law focussed on the orphan works problem.

Taking out the mass digitization and reuse aspects from these laws, this leaves three basic approaches: compulsory licensing; remedial limitations, and extended collective licensing.

In the second proposal below a suggestion will be made that comprises an amalgam of remedial limitation and compulsory licensing, which will be argued to be achievable here in part as a result of Australian experience with the declared collecting society model. However, prior to considering that, a separate question of non-commercial use of unpublished material will be addressed by suggesting a free exception.

### **Non-commercial use of unpublished subject matter with missing owners**

In 2006 several private use exceptions were introduced into Australian copyright law. These had as an objective to legalise commonly accepted copyright practices which were seen as having little impact upon the incentive effects of copyright. Moreover the then Attorney-General explained: “copyright law must be seen as credible. If the use of popular and widely

owned technology is illegal, but everyone does it anyway, respect for the law is diluted. [The private-use exceptions] ... bring the law more into line with reasonable consumer behaviour.”<sup>8</sup> Those exceptions comprise two basic activities:

- (i) Permitting the making of a single copy of a broadcast in domestic premises for the purpose of private viewing and/or listening ‘at a time more convenient than when the broadcast is made’ (the time-shifting exception)
- (ii) Permitting the owner of certain authorised reproductions or copies to make (in most cases) a single further reproduction or copy in a different format (e.g. hard-copy to digital) when that is done for the purpose of private and domestic use (the format-shifting exceptions)<sup>9</sup>

The limitations of the time-shifting and format-shifting exceptions become apparent when considered against certain fairly typical non-commercial uses of unpublished material.

A person undertaking research into her family-tree might wish to construct a website and/or to self-publish a book in which family photographs, content from home movies, letters and other memorabilia protected by copyright (‘source material’) is included. The intended audience and readership of the website or book is her family and extended family. Any copyright subsisting in this source material is likely to be unpublished for the purposes of copyright term.<sup>10</sup> This in turn creates the issue that the copyright term of unpublished works and films is of indefinite duration.<sup>11</sup>

The relevant owner of the copyright in the source material may not be locatable, especially in relation to old or obscure materials. None of the existing private use exceptions could apply, and indeed the types of copyright uses involved in the hypothetical book project (multiple copies, most likely in the same format as any photographs or letters) or the hypothetical website project (requiring exercise of the communication to the public exclusive right) simply do not fit the nature of the existing exceptions.

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<sup>8</sup> Attorney-General Philip Ruddock, Opening address at the Australian Centre for Intellectual Property in Agriculture’s 12th Annual Copyright Conference *From ‘The Da Vinci Code’ to YouTube* 16 February 2007.

<sup>9</sup> Sections 43C, 47J, 109A, 110AA and 111.

<sup>10</sup> Section 29.

<sup>11</sup> Sections 33(3) and 94(1).

It strikes us that the existing private use exceptions should therefore be reconsidered to accommodate: use for a non-commercial purpose of unpublished copyright derived from lawfully-obtained source material; and where the relevant copyright owner is not locatable after a diligent search; and where the use is made by a natural person who possesses the non-commercial purpose and who undertook the diligent search. Such use should be a free exception, and should remain so even once the copyright owner emerges so long as its three conditions can be shown to be satisfied. However any such exception should apply only to economic rights in copyright and not to moral rights. It should be also pointed out for the avoidance of doubt that any such exception would relate only to copyright, and not to rights such as those found in other legal regimes such as confidential information.

In thinking about such an exception, the position of third parties should be considered. They seem to fall into at least two types.

The first type is a third party such as a commercial book printer or internet service provider which in the family-tree examples above merely enables the non-commercial purpose of the natural person. It strikes us that the activities of such third parties should be fully covered by the exception – even if they derive some commercial benefit from so enabling. Eligibility could extend to a third party whose copyright use merely enables that non-commercial purpose, and is undertaken for the natural person.

The second type is a third party such as a broadcaster or cultural institution who might be authorised by the natural person to exploit the copyright for that body's own purposes. It strikes us that the use by such a body for its purposes of unpublished copyright subject matter should be considered separately in the context of mass digitization and reuse projects, and that a third party in this category ought not be entitled to rely on this exception.

**Therefore, it is suggested that a means to address some of the problems confronting natural persons wishing to make non-commercial uses of unpublished subject matter with missing copyright owners is to expand the private use exceptions to include:**

1. **Use for a non-commercial purpose of unpublished copyright derived from lawfully-obtained source material;**
2. **Where the relevant copyright owner is not locatable after a diligent search;**
3. **Where the use is made by:**
  - a) **a natural person who possesses the non-commercial purpose and who undertook the search,**
  - b) **a third party where its use merely enables the non-commercial purpose of, and is undertaken for, that natural person.**

### **Use of published subject matter with missing owners**

This is the most complex aspect of this discussion paper; proposing a more generalised exception for published subject matter with missing owners. It seems to us that a broad-based exception must possess three features to attract mainstream support: user accountability; an operation with a high degree of predictive certainty, especially for users; fairness to rights holders.

In weighing these matters up, one aspect of the Australian copyright landscape is striking: the long-standing existence of not-for-profit collecting societies which are appointed (i.e. 'declared') by either the Attorney-General or the Copyright Tribunal of Australia. It occurs to us that a scheme organised around a declared collecting society model provides a robust means through which to consider an exception for uses of published subject matter with missing owners.

### **Nature of the proposal**

The proposed regime involves three sequential stages for crafting a regime to cater for published subject matter with missing owners:

1. Diligent user search and lodgement of a public notice, then after three months;
2. A remedial limitation if the owner comes forward, then after three years;
3. A compulsory licence administered by the declared collecting society.

It is useful to explain the three stages of the proposed regime through a hypothetical user that wishes to exploit published copyright but is unable to locate the owner.

### Stage One: public notice

Initially, the proposed regime would place a general obligation upon the user to make a diligent search to locate the missing owner. Only after that search would the user have an entitlement to file a notice with a collecting society that has been declared for the purposes of administering the regime.<sup>12</sup> The notice would include a declaration that a diligent search had been undertaken, a detailed description of the subject matter, a detailed description of the exclusive rights proposed to be exercised by the user, an acknowledgement about the nature of the regime, and an undertaking to pay equitable remuneration and submit to audit measures in the event the compulsory licence stage is enlivened. Information in the notice would form the basis of an entry in a publicly searchable orphan works register kept on-line by the declared collecting society. The relevant entry in the register would not disclose the identity of the user (a matter discussed further below), but would include the information about the work and rights proposed to be exercised. Prior to acceptance of the notice by the declared collecting society and publication of the entry in the register, an administrative fee by the user for would be payable.<sup>13</sup>

Upon entry in the register a three month time period would commence. In that period if the missing owner comes forward and provides a warranty to the declared collecting society that it owns the Australian copyright specified in the entry, the collecting society would pass those details onto the relevant user and the entry from the orphan works register would be removed. The emergence of the owner in that three-month window would mean that the user receives no copyright exception.

In addition it is proposed that once a copyright owner warrants ownership of the work and the relevant rights, that owner will be offered the choice to have those details entered into a separate public register of claimed works maintained on-line by the collecting society. This

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<sup>12</sup> Declaration could occur through either the Attorney-General or the Copyright Tribunal of Australia, but in either case it seems desirable (for reasons flagged below) that the regime be administered by a sole declared society.

<sup>13</sup> Any schedule of fees should be reviewable by the Copyright Tribunal of Australia.

entry would not include the identity of the owner, and would occur without charge. Aside from owners whose works had once been on the orphan works register, the claimed works register could be used similarly by all owners of Australian copyright who provide a warranty to the collecting society as to ownership. In relation to this class of owners, however, it seems appropriate for an administrative fee to be levied by the collecting society for this service.<sup>14</sup> In relation to a work listed in the claimed works register, a prospective user would use the collecting society as the conduit to the owner.

### Stage Two: remedial limitation

If the missing owner does not come forward the initial three month window, but does come forward and provides a warranty to the society in the period of three years thereafter, the user should receive for the remainder of the relevant copyright subject matter's term a remedial limitation similar to that recommended by the US Copyright Office in 2006. This would mean that the owner could obtain from that user only the following remedies in an action brought for infringement of the economic rights specified in the user's notice:

For monetary relief:

- The payment of a reasonable licence fee for the use of the subject matter for commercial purposes, or
- No monetary relief for use for non-commercial purposes if use ceases expeditiously upon copyright owner notice

For injunctive relief:

- Where there has been transformative use and a reasonable licence fee is paid, no injunctive relief is available, or
- Injunctive relief is available in other cases only if due allowance is made for any loss caused by reasonable reliance upon the regime

(The remedial limitations would not apply to remedies available under the Australian moral rights regime.)

Naturally any negotiation between user and owner, should the owner come forward in that three-year window, would be in the shadow of these remedial limitations.

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<sup>14</sup> Again, any schedule of fees should be reviewable by the Copyright Tribunal of Australia.

Any emergence by the owner in this period would prevent the enlivening of the compulsory licence under stage 3, cause removal of the entry from the orphan works register and present an opportunity for an entry to be made by the owner in the claimed works register in the manner described above at stage 1.

### Stage three: compulsory licence

However should the missing owner not come forward in that three year window, the copyright exploitations of the user described in the notice could only be dealt with by the owner under a compulsory licence administered by the declared collecting society. For that compulsory licence:

1. Scope (in terms of subject matter and rights exercised) would be defined exhaustively by the terms of the notice given by the user
2. In the event the missing owner does not come forward after the three-year period has elapsed, the compulsory licence would operate effectively within the terms of its scope as if it were a free exception to the benefit of the user. The entry should remain on the orphan works register until the owner emerges.
3. An obligation upon the user to pay equitable remuneration and to submit to whatever audit measures are reasonable to assess the extent of use should arise only once the owner has furnished the declared collecting society with a warranty as to ownership. (These payment and audit obligations should not be retrospective.) The society would be able to make a deduction of its administrative expenses from the amounts collected for such an owner. Once the owner has come forward at this point, the relevant entry should be removed from the orphan works register and present an opportunity for an entry to be made by the owner in the claimed works register in the manner described above at stage 1.

Equitable remuneration and the audit measures referred to at point 3 would be agreed between the declared collecting society (on behalf of the owner) and the user, and *in lieu* of agreement the Copyright Tribunal of Australia would have jurisdiction to determine both

matters. The compulsory licence would not apply to rights of action under the moral rights regime.

### **Concerns and issues about the staggered regime**

Mapping out such a regime for discussion raises several questions – there may be many more – which we attempt to set out here.

#### Why not adopt the Canadian model?

Canada in 1988 conferred jurisdiction in the Canadian Copyright Board to craft *ad hoc* compulsory licences on the application by users in relation to works whose owners could not be located. In the twenty years from 1988 to 2008, the Board issued 230 such licences with total royalties paid (or payable) of a little under 70,000 Canadian dollars.<sup>15</sup> Such utilization of the scheme seems modest in terms of both number of licences granted and royalties paid. (Especially so when the UK Hargreaves Review in 2011 states that: ‘the problem of orphan works – works to which access is effectively barred because the copyright holder cannot be traced – represents the starkest failure of the copyright framework to adapt. The copyright system is locking away millions of works in this category.’<sup>16</sup>) It strikes us that there are two undesirable features of the Canadian model which might account for its low level of utilization: the transaction costs imposed by requiring each use authorised under the statutory licence to be subject to an individual application which is considered by the Board and the need for user royalty payment even if the owner remains missing. Both features are absent in the regime proposed here.

#### Is the proposal treaty-compliant?

Would such an exception – and in particular the *de facto* free exception applied in relation to subject matter for which no copyright owner comes forward – comply with the three-step test? It is difficult for us to see why not. A special case seems to be defined by the regime, and it is difficult to conceive of prejudice to rights holders who do not come

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<sup>15</sup> Jeremy De Beer and Mario Bouchard, *Canada’s ‘Orphan Works’ Regime: Unlocatable Copyright Owners and the Copyright Board* (2009), 33 and 38 available at <http://www.cb-cda.gc.ca/about-apropos/2010-11-19-newstudy.pdf>

<sup>16</sup> Ian Hargreaves, *Digital Opportunity – A Review of Intellectual Property and Growth* (2011), 38 available at <http://www.ipso.gov.uk/ipreview-finalreport.pdf>

forward. Those owners who do come forward are guaranteed payment for continued use. It is also difficult to conceive of a use for which the user has undertaken to pay equitable remuneration (and to have their use audited) to be in conflict with normal exploitation. Likewise the rule against formalities does not seem to us to be violated. While the regime entails notice requirements, these requirements are not placed upon the enjoyment of exclusive rights but rather upon the availability of an exception to those rights. The requirement upon the owner to provide a warranty to the society is fundamentally no different to similar requirements that exist today in Australian compulsory licensing under Parts VA, VB and VC. Copyright owner use of the claimed works register would be entirely voluntary. Finally, we note that we are unaware that the Canadian scheme has been contended to be outside TRIPS norms.

#### What are the functions of the proposed public registers?

It strikes us that the primary role of the orphan works register is to enable copyright owners to be given notice and to come forward. Entries should be removed once that occurs. However it also performs the secondary role of informing other prospective users of the status of the work. If a work remains on the register after a particular period of time beyond three months, it is fair for the world to deduce that a notifying user now has the benefit of a copyright exception in relation to the notified exploitations. But this does not in and of itself permit 'piggy-backing', enabling the whole world to rely on an exception effectively created by a first-notifying user. At most it provides pertinent information to other users on the likelihood that should they undertake a diligent search, and then comply with the conditions of the regime (due notice etc), they too might assume the same benefits of the regime. The intention is for the first-notifying user to obtain a first mover advantage, and thereby create an incentive for the regime to be used. However, providing too much incentive of this nature may create inefficiencies if all subsequent users are required to duplicate (possibly futile) diligent searches. It seems to us that an acceptably balanced setting would be for the diligent search requirement upon subsequent users to be deemed to be met if the rights they file notice about have remained on the orphan works register for at least three years and three months. Obviating the requirement of search beyond the register at that stage both confers a reasonable first mover advantage and avoids an undue waste of resources.

The primary role of the claimed works register is to obviate the need for prospective users to search for a copyright owner, beyond making a request to the collecting society. This seems especially desirable in relation to a work that had spent some time on the orphan works register. The claimed works register also offers copyright owners a clear means to avoid having their works made subject to the new exceptions regime.

Why are the identities of the user and the owner not published in the orphan and claimed works registers?

The entry in the orphan works register does not identify the user, although an owner supplying a warranty will be told by the declared society the identity of the notice-giving user. It seems to us that users of copyright subject matter under any such regime should have a right to exploit works with a degree of relative privacy. We cannot see the need for the identity of a user to be made public on the register.

Similarly, given the existence of the collecting society whose members will comprise the relevant copyright owners, there seems no obvious need for the claimed works register to include the identities of copyright owners. The relevant collecting society can serve as a conduit.

How would the exceptions deal with subject matter comprising other subject matter?

Subject matter might comprise other subject matter. Cinematograph film provides a good example. A prospective user may know the owner in relation to the rights in (say) its music but is not able to locate, after a diligent search, the owner of the copyright in the film itself. In such a case the proposal would permit the user to provide a notice to the declared collecting society limited only to that subject matter of which it is not able to locate the owner.

How would the exceptions deal with joint ownership where only one joint owner is missing?

For joint ownership of copyright the default legal rule is that in the absence of the consent of the other co-owners, a co-owner is not entitled to grant a licence to a third party. The missing owner problem may arise when one copyright owner is missing and another is (or others are) located in relation to a jointly owned copyright. The proposal would permit

identification of copyright in the notice as ‘the share other than that owned by [the known owners]’. The effect of the regime would then operate merely in relation to the position of the missing co-owner; the rights of the known owners should at the same time remain largely unaffected. However once the initial three months had lapsed, the reform could make clear that the missing co-owner should be presumed to have consented to any use licensed by the located co-owner/s.

#### How should the funding of regime be considered?

There are three points at which the declared collecting society is able to retain fees to cover the cost of its operations: at stage 1 from the user’s filing fee, at stage 3 from the owner’s royalties paid under a compulsory licence and whenever a copyright owner makes an entry into the claimed works register without the work’s details first being removed from the orphan works register. It strikes us that these points of cost-recovery are apt. The initial user’s fee should apply predominately to recover the expenses involved with the declared collecting society’s administrative operations at stages 1 and 2 of the regime. The amount retained from the copyright owner’s royalties paid at stage 3 should apply predominately to recover the expenses in negotiating, administering and if necessary litigating before the Copyright Tribunal of Australia the terms of any remunerated use under the compulsory licence. It also seems appropriate that copyright owners choosing to make entries into the claimed works register entirely on their own motion should also make some contribution to the collecting society’s administrative expenses in maintaining that register.

#### Why does the proposal entail a sole declared collecting society?

We are of the view that reasons of economies of scale and specialisation means that the interests of owners and users alike are best served by a regime featuring a sole collecting society, perhaps under the auspices of existing societies. Important too is that it results in a sole orphan works register; copyright owners should only be expected to monitor one such register. In contrast the UK model proposed that each individual user was to keep a publicly searchable register; a measure that strikes us as unwieldy, inefficient and avoidable under a sole declared collecting society model.

#### Why is unpublished subject matter not included?

As is implicit, we are of the view that unpublished subject matter used for non-commercial purposes by natural persons is a legitimate exception in cases of missing owners. However it is less clear to us that in general the rights of the owners of copyright in unpublished subject matter should be subjected to the regime here described. Those owners are in a different position from owners who have had their copyright published. It strikes us that the owners of published copyright should be aware of the legitimate desires of others to seek licences, whereas the owners of unpublished copyright have no obvious reason to be so aware. Aside from the limited free exception described here as proposal one, the position of such rights holders falls to be properly considered in view of any inquiry into mass digitization and reuse projects discussed as proposal three.

**Therefore, it is suggested that a means to approach some of the issues of missing owners of published subject matter in Australia is to create a regime comprising three sequential aspects:**

- 1. A requirement that a user undertakes a diligent search prior to giving a notice to the declared collecting society specifying the work and exclusive rights proposed to be exploited, which once accepted by the declared society will trigger an entry in the orphan works register. If the relevant copyright owner supplies a warranty as to ownership to the declared collecting society within three months from the date of the entry in the orphan works register, no limitation or exception applies in favour of the notifying user.**
- 2. If the relevant copyright owner does not supply a warranty as to ownership to the declared collecting society within three months from the date of the entry in the orphan works register, the notifying user will be entitled to an ongoing remedial limitation in the event that the copyright owner supplies a warranty as to ownership to the declared collecting society at any time in the three year period from the expiry of the initial three months.**
- 3. If the relevant copyright owner does not supply a warranty as to ownership to the declared collecting society within three years and three months of the date of the entry in the orphan works register, then the owner's sole**

**enforcement of rights thereafter is through a compulsory licence administered by the declared collecting society.**

**The system should also feature a claimed works register that copyright owners may voluntarily make use of.**

### **The policy question of mass digitisation and reuse projects**

A mass digitization and/or reuse project can be thought of here as:

- An undertaking by either a private (such as Google) or a public body (such as the National Film and Sound Archive);
- To aggregate or reuse copies of either a defined physical collection (such as a library's book holdings, a broadcaster's archive or a gallery's visual art collection) or a class of material otherwise determined (such as 'all music videos produced in Australia');
- For the typical purpose of communicating those copies to the public.

The Google Books project is a famous mass-digitization project. A class-action was brought by publishers and authors complaining about Google's scanning of the entire holdings of some US university libraries and display of so-called 'fair use snippets'. The settlement agreement sought to implement something far wider: a new business arrangement that would grant Google significant rights to exploit online entire books. The agreement contemplated that this might occur without the permission of copyright owners, and it has been essentially this aspect that has held up its court approval. In particular the requirement that copyright owners 'opt-out' or else be bound by the arrangements and, related to that, the *de facto* monopoly advantage that this gave to Google in relation to works with missing owners. (The obvious solution is to restructure the agreement to require an express 'opt-in' by copyright owners. However Google has consistently rejected 'opt-in' because from its commercial perspective it would reduce the available repertoire too much.)

The debate surrounding the Google Books litigation highlights a fundamental point: what public policy choice decisions, if any, have been made in relation to mass digitization and

reuse projects? As we noted in the introduction, initiatives and proposals are afoot to radically reshape thinking about rights clearance, moving the topic from the private realm to a matter of public policy. For example, the 2011 Hargreaves Report from the UK expressed a policy preference for the facilitation of such projects in part through the institution of a UK digital copyright exchange by creating unspecified incentives for owners who used the exchange and disincentives for those who did not.<sup>17</sup>

Mass digitization and reuse projects give rise to a set of reasonably distinct policy choice questions. While such projects may encounter missing owner issues, perhaps more obvious sources of hold-up might result from prohibitive licence fee expenses, or refusals by known copyright owners to licence. Does society believe that the rights of copyright owners should yield to private aggregators such as Google or to public aggregators such as galleries, libraries, archives, museums and educational institutions so as to facilitate their mass digitization and reuse? Do initiatives such as the National Broadband Network impact upon these considerations in Australia?

As noted above the TVNZ law reform initiative comes closest to being categorized a mass digitization and reuse reform. The NZ experience is instructive. What began as a remarkably broad exception to copyright in the first draft of the Bill – an exception to all copyright in the holdings of the TVNZ archive to the benefit of TVNZ – became in the version of the Bill currently passing through the NZ Parliament a far more narrow exception. That exception is limited to residual restraints on the TVNZ's reuse of items in its archival holdings where TVNZ is the sole copyright owner.

It strikes us that the question of reform to copyright to facilitate mass digitization is a question that might be best considered within a review conducted by the Australian Law Reform Commission. However, we also note that to the extent such projects encounter orphan works the flexibilities created under proposal 2 should be fully available to them.

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<sup>17</sup> Hargreaves, above n 16, 98.

Therefore, it is suggested that aside from the flexibilities created in proposal 2, a future copyright law inquiry of the Australian Law Reform Commission should include the question of: 'whether, and if so to what extent, should copyright law be reformed to facilitate mass digitization and reuse projects of published and unpublished subject matter undertaken by private and public bodies?' The ALRC should be directed to consider in its inquiry the possibility, through global cooperation, of instituting more efficient copyright licensing systems.