



The Register of Copyrights of the United States of America

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May 6, 2008

Congresswoman Zoe Lofgren  
Subcommittee on Courts, the Internet,  
and Intellectual Property  
Committee on the Judiciary  
Congress of the United States  
102 Cannon House Office Building  
Washington, D.C. 20515-0516

Dear Representative Lofgren:

Thank you for your letter of May 1, 2008 requesting my views on certain provisions of H.R. 5889 (the "Orphan Works Act of 2008"), namely (1) the duties that the legislation places on the Copyright Office and (2) the ability of the Library of Congress and similarly situated libraries and museums to avail themselves of the bill's provisions, particularly with respect to the "safe harbor." I address these provisions below and, where appropriate, include drafting recommendations.

As a preliminary matter, I wish to express my gratitude to the Subcommittee for addressing orphan works legislation. There is strong support among a wide array of stakeholders for the general approach of the bill, which is to limit the exposure of good faith users who conduct and document a qualifying (but ultimately unsuccessful) search for the copyright owner. The Copyright Office recommended the same approach in its 2006 report.

### **Duties of the Copyright Office**

#### 1. Statement of Use: "The "Dark Archive"

By way of background, both H.R. 5889 and S. 2913 (the "Shawn Bentley Orphan Works Act of 2008") introduce several new conditions of eligibility that did not exist in H.R. 6052 ("The Copyright Modernization Act of 2006"). The new conditions that appear in both bills, and which I support, are:

- 1) a requirement that the user include a symbol or other notice of use on the work or in connection with the use to help copyright owners track uses;
- 2) a requirement that the user assert in the initial pleading of any suit brought by the owner the ability to claim orphan works limitations, rather than surprising a copyright owner by pleading it at a later date (such as during the remedies phase of a trial);
- 3) a requirement that the user consent to, or be held to be within, the jurisdiction of United States district court; and

- 4) a requirement that the user state with particularity the basis for the ability to claim orphan works limitations at the time the initial discovery disclosures are required, including by handing over the documentation of the search.

These provisions were not included in the orphan works legislation considered in the 109<sup>th</sup> Congress. Some owner groups, however, have expressed concerns that the prior legislation contained insufficient safeguards to deter bad actors from attempting to use the orphan works regime in bad faith to mask piracy. I believe that the four additional hurdles outlined above offer appropriate safeguards because each of them (to varying degrees) achieves significant deterrent effect with a relatively small amount of burden on the user and relatively little administrative cost and waste.

However, H.R. 5889 goes further than these four and adds a fifth condition of eligibility: the requirement that a user file with the Copyright Office a “Statement of Use” for inclusion in what has been informally labeled the “dark archive.” In my view, the “Statement of Use” condition would create an unnecessary administrative impediment for good faith users that is likely to deter many beneficial uses because of the costs and burdens it would impose on users of orphan works. Since there are already multiple provisions in the bill to address bad actors, including those mentioned above, the impediment is unjustified.

I would like to stress that documentation is an important part of the orphan works regime but one that is already sufficiently clear. The proposed statute specifies that the user must document the search prior to making use of the copyrighted work. Users thus have the burden of presenting evidence of this documentation, and a user who fails to present persuasive documentation in copyright infringement litigation will lose all the benefits of the orphan work regime. Adding on top of this a requirement that the user file a statement related to the documentation will add little in the way of incentive but could disqualify users who have otherwise fully satisfied the search and documentation conditions.

I also expect that unless the fees that users would submit with their “Statements of Use” are supplemented by government appropriations, the cost of filing Statements of Use would deter many of the valuable uses that could be made of orphan works. The Copyright Office would have to charge a fee to receive, index and store dark archive material, consistent with its fees for registration and recordation of documents. At a minimum, the fee would have to recover the cost of processing and retaining the materials received for the archive. In reality, the fee would have to also cover the cost of maintaining, preserving and retrieving the materials over many, many years. Users would of course have to consider this cost before filing and we are concerned that many users are likely to determine that the hurdle is too expensive to justify. I must stress that any cost that is not passed on to users would have to be recouped from appropriations, something that would be very difficult to accomplish in the current budgetary environment. We do not know what the actual cost to users would be without studying it, but by way of comparison, registration fees are \$45 for physical filings and \$35 for electronic filings. The fee for recordation of documents is \$95 for a single title plus an

additional \$25 for every group of 10 titles listed. We would also have to charge any party needing to retrieve the filings, including copyright owners, to cover the costs of retrieval and, if requested, reproduction.

One way to analyze the orphan work problem is to consider it a market failure resulting from high transaction costs. It seems futile to pass a law that reduces those transaction costs in the market place to the point where the use can go forward, but then puts in place an administrative fee paid to the government that raises the transaction cost back up to a point where the transaction is once again impractical. It amounts to giving with one hand and taking away with the other.

From the perspective of cost, the users most likely to be deterred from beneficial uses by a dark archive requirement are those who wish to make large numbers of works available: museums, libraries, archives and others who have the potential to digitize or publish large amounts of orphaned material. These, of course, are the types of uses that everyone embraces when they point to the need for orphan works legislation. Such users normally would conduct searches on an on-going basis, posting or publishing the material (the photograph, e.g.) as they complete the search and relevant legal analysis for that particular work. If dark archive filings were made mandatory, these users would (they have stated) need to send bulk filings of multiple searches at one time to reduce cost. (This assumes the Copyright Office could provide a “group” filing option, something that has proved to be far from simple in the context of copyright registration.) However, they are fearful that if they wait until they have accumulated a critical mass of filings, they would run the risk of having stale (and therefore un-qualifying) documentation.

Finally, it is by no means only nonprofits that object to the condition of a statement of use. We have also heard from publishers, documentary filmmakers, independent scholars, and other users.

## 2. Best Practices

One of the most important challenges in constructing orphan works legislation is creating search criteria that are both strong and flexible. I recognize that the Copyright Office may be uniquely qualified to play a significant role in maintaining best practices for purposes of orphan works legislation, provided we have clear direction in the statute as to what our duties are. It is particularly important for us to know what we may do in the context of contradictory or duplicative practices submitted to us. I understand users and courts will have little guidance if there are multiple (and perhaps diverse and even contradictory) sets of best practices available to choose from. However, I would like to underscore that it is important for copyright owners, authors, and users of works of authorship to participate in the development of best practices. There have been many constructive discussions in recent days along these lines and we are heartened by the manner in which copyright owners and users have come together in crafting appropriate language. Crafting a mechanism by which appropriate best practices can be developed that will offer clear guidance to users and copyright owners may be the most difficult and important task facing the legislator in drafting this legislation.

### 3. Certification of Electronic Databases

I have concerns about Section 3: “Database of Pictorial, Graphic, and Sculptural Works.” If that provision remains in the legislation, consideration should be given to phasing the provision out over time, to correspond with the date on which the legislation becomes effective for pictorial, graphic and sculptural works.

I am skeptical of the merits of giving the Copyright Office a role in evaluating databases or related technology, other than in the context of reviewing best practices that are submitted to us. The Office lacks experience with the task of accreditation and, quite frankly, we lack the technical expertise that would seem to be required. Moreover, we are not persuaded that certification should be a central concern. A user should take advantage of the tools that are likely to lead him to the copyright owner, regardless of whether the government has recognized that tool.

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. On December 8, 2007, the Copyright Office organized a briefing and showcase of technology for Congressional staff. 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 security, population fees, and allocation of user fees or subscriptions. I believe that the content owners and users in the respective copyright industries will be the parties most knowledgeable about whether a particular image recognition database or other electronic product is a viable search tool. If copyright owners or users are aware of a database or tool that is helpful, they will direct users to that tool in the formulation of “best practices.” 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.

That said, I am aware that Congress may wish to tie the effective date of orphan works legislation to the date on which the Copyright Office has certified a particular number of electronic databases. If this is the case, I would suggest that the certification process be changed to a temporary obligation of the Office. Once the legislation is effective, we would cease certifying databases and, instead, review them as part of best practices. This approach would also prevent the Office from inadvertently shaping or—worse—harming the technology market.

## **Libraries and Museums**

### 1. Monetary Relief: The “Safe Harbor”

The safe harbor is a crucial provision for cultural organizations such as libraries, archives and museums. In my view, if the legislation does not provide a functional safe harbor, many of the users we most want to motivate will, in fact, receive only a marginal

benefit from the legislation. The works that are in the archives of museums and libraries are often unregistered works and therefore not eligible for statutory damages. Nonetheless, the users are risk-averse. They are fearful of the expense of litigation and unwilling to risk the negative publicity that such litigation would cause. Consequently, they do not make use of orphan works under current law, other than on an occasional basis. A strong safe harbor would move these users forward because it would allow them to make multiple works available without fear that reasonable compensation, in aggregate, will prove to be too much. My hope is that museums and libraries will be able to make many of the important images and other orphan works in their archives available to the public over time. If an owner emerges, the institution will have a choice: it can either pay reasonable compensation and continue use, or it can cease use expeditiously. I think that this provision functions as a necessary, narrowly-crafted, “half-exception” with the general framework. I call it a half-exception because unlike existing exceptions within the Copyright Act, it only applies if the user ceases use.

First, in terms of safe harbor eligibility, I note that the current drafting applies to educational institutions, libraries, archives, public broadcasting entities and, in the case of S. 2913, museums. Although I believe that the intent in the House bill may have been to capture museums under the rubric of educational institutions, I think it is important to include museums expressly in the statute. Indeed, while many museums are incorporated as educational institutions and have educational missions, some are incorporated as charitable institutions or trusts. Museums have testified three times in the past two years, including most recently, the Holocaust Memorial Museum on March 13<sup>th</sup> before the Subcommittee. It is essential to clarify their eligibility. Similarly, it is likely an oversight that the employees of such institutions are not expressly captured in the draft language. This is easily fixed by including the employee language that appears in section 504(c).

Beyond the above technical issues, I have some substantive recommendations that would ensure that the institutions we wish to motivate with the safe harbor will actually be able to use it. Unfortunately, as drafted, the provision includes three provisos that make the sum total confusing and contradictory. These are 1) the user must act without any purpose of direct or indirect commercial advantage; 2) the infringing activity must be educational, religious or charitable in nature; and 3) if there any proceeds attached to the use, the nonprofit user may be required to pay a percentage of the proceeds to the copyright owner. In order to make the safe harbor functional and sound, my recommendation would be to leave the second provision and delete the first and third.

The first proviso regarding commercial advantage is a vestige of the Orphan Works Act of 2006, when the safe harbor was more broadly available to any user acting for noncommercial purposes, including private copiers and for-profit companies. Now that the safe harbor applies only to nonprofit entities, the proviso is no longer necessary, especially because the second proviso already ensures that the institution is acting with an educational, charitable or religious purpose. Moreover, it could be interpreted to mean that any sale by a nonprofit (e.g. the sale of a book by a historical society) is commercial activity, even where the sale is for a nonprofit purpose and mission.

In my view, it is not important in the context of orphan works whether a nonprofit institution is selling a scholarly book to recoup the cost of producing it or posting images on a website by virtue of grant money. The activity is the sort which we wish to motivate to afford greater circulation of culturally important orphan works. Finally, it is worth noting that some copyright owners may be concerned that nonprofits will claim an overly broad array of uses under the umbrella of education—items such as some coffee mugs, t-shirts, tote bags and hats. In response, we make two points. First, we do not consider these items to be educational, charitable or religious in nature (and the fact that the proceeds might be used for an educational, charitable or religious purpose would not make the use itself educational, religious, or charitable in nature). Second, we note that the House bill excludes any use of an orphan work by fixing it on a useful article that is offered for sale or distribution to the public. Useful articles are defined in the Copyright Act and would cover the gift store items mentioned above.

The third proviso—which requires a user to account for and potentially share “proceeds directly attributable to the use”—diminishes the functionality of the safe harbor and is unacceptable, in my view. The premise of the safe harbor is that the user is a nonprofit actor and that it is ceasing use. To require a user to submit to challenges that proceeds that the user earned as part of its nonprofit business are traceable to the use of a particular work, say a photograph, is untenable. The mere exercise of rendering an accounting and /or hiring legal counsel will cost more than it would ever cost for an institution to pay reasonable compensation (the measure of damages for infringement of an orphan work when the safe harbor is not available). Thus, the provision would have the odd and perhaps unintended result of making it less expensive for a nonprofit to continue use than to cease use. But of course, as discussed above, many institutions will not make greater orphaned material available if they do not have a strong safety net in place.

## 2. Injunctive Relief

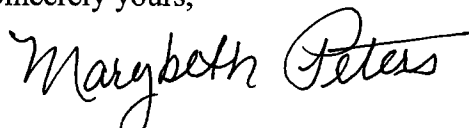
The provision on injunctive relief in the Orphan Works Act of 2006 proposed in the 109<sup>th</sup> Congress included the following language at the end of the subsection: “except that, if the infringer has met the requirements of subsection (b), the relief shall to the extent practicable account for any harm that the relief would cause the infringer due to its reliance on subsection (b).”

H.R. 5889 does not include similar language. I believe that consideration should be given to reinstating that language. A user who has relied on the orphan status of a work may well make a major investment of time, effort and money in using the work and it seems perfectly appropriate to me to direct a court to take such reliance efforts into account in fashioning injunctive relief. For example, some users will make orphan works accessible to others by “migrating” technology and investing in new technical formats. In such instance, the users will not be incorporating orphan works into new works of authorship and, as such, it will be possible for an emerging copyright owner to obtain injunctive relief. While I believe that injunctive relief should be available to the copyright owner in such instances, I also believe that the court be directed to consider the

user's reliance and costs. Since this is a significantly important issue, the statute should be clear. Without the clarity, it is difficult to see why a user would invest in bringing valuable works to the public.

In closing, I sincerely hope that I have responded to your questions. Again, I believe that orphan works legislation is necessary and I am truly heartened that the Subcommittee has made it a central focus at this time. I believe that H.R. 5889 in many respects represents an improvement over the legislation considered by the previous Congress, but at the same time it contains some provisions that cause some concern. Thank you for asking for my views, and please do not hesitate to call if I can be of further assistance.

Sincerely yours,

A handwritten signature in black ink that reads "Marybeth Peters". The signature is written in a cursive, flowing style.

Marybeth Peters  
Register of Copyrights

cc: Chairman Howard Berman