

**Copyright works: seeking the lost**  
**Consultation on implementing a domestic orphan works licensing scheme and the EU**  
**Directive on certain permitted uses of orphan works**

Response on behalf of:-

The Copyright Licensing Agency Limited (“CLA”)  
Authors’ Licensing and Collecting Society (“ALCS”)  
Publishers Licensing Society (“PLS”)

**This Response**

This is a joint Response by the 3 above mentioned organisations who are involved in the licensing in the UK of the right to copy, scan and store text-based extracts (and to use and store digital extracts) from books, journals, magazines and other periodicals published in the UK. Works published in those overseas countries where a suitable Repertoire Exchange Agreement with another collective management organisation has been concluded are also covered by such licences.

A separate Response, concentrating on the issues faced by visual creators, is being entered by DACS, through whom CLA derives its right to include embedded artistic works in its licences.

**Key Points**

We list here the key points arising from our responses to the questions dealing separately with the domestic scheme (licensing of orphan works) and the EU Directive (permitted uses). At the end of the document, in the general comments section, we have made a few technical points regarding the drafting of the 2 instruments.

## 1. The Copyright (Licensing of Orphan Works) Regulations 2014

### 1.1 Right of appeal

We believe it is imperative that there is a general right of appeal for rightsholders against the granting of a licence or against the rate or other terms and conditions of a licence. This could be a right for individual rightsholders or limited to intellectual rights property management bodies such as licensing bodies and author and publisher associations.

While it is right that a user/licensee should have a right of appeal, this must be balanced, in the interests of natural justice, by a right of appeal for the rightsholders. The orphan works owner, by definition, cannot appeal and we understand why an emerging rightsholder cannot appeal at a later stage against the level of fees as it would be impractical and unfair to revert to the licensee to increase the fees.

A general right of appeal for rightsholder bodies is therefore required:

- (i) to safeguard the rights of that orphan works rightsholder; and
- (ii) to ensure that the rate set by the authorising body does not undermine the primary market (consistent with one of the key principles enunciated by the Government in announcing this legislation).

We believe generally an appeal on such matters should be to the Copyright Tribunal rather than the First-Tier Tribunal.

The Copyright Tribunal should be required to have regard to the need to avoid undermining the primary market in reaching any decision.

### 1.2 Holding and Use of Unclaimed Funds

We believe an emerging orphan works rightsholder should be able to claim fees throughout the relevant copyright period (even if the funds became available for use at an earlier point (e.g. 6 years). The Government has no particular need for a cut off period in the same way as an limited liability company which needs a finite period of exposure to contingent liabilities; this is especially so given the relatively low sums of money likely to be involved. If a finite period is to be imposed, the option suggested in the Consultation paper of 15 years (similar to that applicable for dormant bank accounts) should be chosen.

We disagree with the principle of “bona vacantia” and think the analogy given of monies under intestacy, is flawed, but that in any event the Government should use all licence fees for relevant social/cultural/charitable purposes in the relevant sector. The costs of running the scheme should be paid through the administration fees charged to licensees and, if these are insufficient, should be borne by the general tax payer given that the justification for the scheme is that it would contribute generally to the health of the UK economy.

### 1.3 Diligent Search

It is vital, as well as only fair to rightsholders, that potential licensees observe these requirements rigorously. Accordingly we see no reason why there should be a relaxation from the usual rules that could impose criminal sanctions for infringement (where use, albeit non-commercial, is on such a scale as to prejudice the rightsholder) as well as civil infringement.

## 2. **The Copyright (Certain Permitted Uses of Orphan Works) Regulations 2014**

### 2.1 Diligent Searches - Records & Register

It is not enough that relevant bodies are charged with a statutory duty to undertake a diligent search; there must be some means of monitoring and verification by rightsholders to test how robustly the public institutions are complying with these obligations.

The draft Regulations require that relevant bodies must maintain records of its diligent searches and provide details (including the proposed use it intends to make) of the orphan works to the Comptroller; the Comptroller is then to forward this information to OHIM. While we understand that OHIM is intended to be publicly accessible (but it is not clear that it is yet), the Comptroller should be obliged to make such records publicly available in the UK. Such a register should be available electronically and free of charge (as is to be the case with the Licensing of Orphan Works Regulations).

# Annex F: Response Form

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 28 February 2014

Please return completed forms to:  
Margaret Haig  
Copyright and Enforcement Directorate  
Intellectual Property Office  
First Floor, 4 Abbey Orchard Street, London, SW1P 2HT  
Fax: 020 7034 2826  
Email: [copyrightconsultation@ipo.gov.uk](mailto:copyrightconsultation@ipo.gov.uk)

## About You and Your Organisation

Your name	Martin Delaney
Job Title	Legal Director
Organisation Name	The Copyright Licensing Agency Ltd on behalf of ALCS & PLS
Organisation's main products/services	Licensing

### Question 1. Could collecting societies improve the licensing of orphan works in their areas of expertise? If so, how?

**CLA Response:** It is unclear whether the question is asking if, despite the announced policy, CMOs could still be an "authorising body" or whether they should, in some way, expand their existing activities to cover elements of orphan works licensing - but without the protection afforded to an "authorising body" against the risk of civil and/or criminal infringement:

- the consultation document explains that one of the key factors in deciding to have a central authorising body for orphan works rather than allowing collecting societies to license use of orphan works is that many orphan works are works of a type that are not currently collectively licensed. But that does not explain why the option of using licensing bodies for works of a type that are currently collectively licensed was discarded;
- in the absence of any reform to s. 107, it would appear that the only way that collecting societies could lawfully issue licences including orphan works would be under the cover of an Extended Collective Licensing scheme.

Necessarily CMOs will be involved in that their databases are among the sources for due diligent searches (whether for the domestic orphan works licensing scheme or the EU ‘permitted uses’ exceptions regime) and welcomes the fact that the IPO has invited them to participate in various working groups looking at the pricing and other terms and conditions of orphan works licences.

But it should be noted that, in the event of large-scale use of orphan works, the diligent search process may be a costly operation and Recital 13 of the Directive envisages charging for assistance with diligent search. It would be helpful if the Regulations were to recognise this should it be thought that licensing bodies ought to be further involved in providing some assistance with ‘due diligent’ searches.

**Question 2. Should an orphan works licence be transferable? If so, in what circumstances would this be appropriate?**

**CLA Response:** Licences should not be freely transferable as, in most cases, the identity of the licensee will be important. For instance, the authorising body may grant a licence to a national library on certain terms and conditions, comfortable that the licence terms would be adhered to without the need for extensive monitoring and verification. It would not be appropriate to find that the licence had been transferred, without a consent process, to a smaller organisation perhaps with a shorter experience of handling such matters, and/or with less of a reputation for dealing with matters with the utmost probity.

But there could be occasions where a licence could be transferred or reissued to a new licensee (perhaps by way of novation) provided it is done only with the consent of the authorising body. This would be appropriate in cases where the identity of the licensee was not important to the grant of licence (so that it would not amount to a “personal contract”). In these cases, the process to allow for the transfer/novation ought to be relatively straightforward.

**Question 3. What are your views on allowing high volume users to take out an annual licence or similar arrangement to cover low value, non-commercial use?**

**CLA Response:** It is difficult to imagine situations where a non-commercial use would not be covered by the Directive and thus where an Orphan Works licence under the domestic scheme might be needed. The Consultation document gives an example of the use of a painting of Churchill on the front cover of an exhibition book proposed to be published by the Imperial War Museum, with the book itself containing presumably copies of other paintings hanging in the Churchill War Rooms.

The Consultation document states that this would not be covered by the Directive, but could be suitable for an orphan works licence. It suggests, therefore, that the book itself would not be regarded as part of the Imperial War Museum’s public-interest mission, i.e. it is not part of a process of

providing cultural or educational access to works in its collection and yet which is to be regarded as “non-commercial”. It becomes difficult to draw the line between public-interest mission activities and other activities regardless of whether they are commercial or non-commercial.

It is worth noting that an activity undertaken by a non-profit organisation and on a non-commercial basis may nevertheless have an impact on the commercial market (by depriving it of the opportunity to publish a commercial product). An umbrella licence for high-volume users might encourage a less rigorous approach to the diligent search requirement and to the pricing of the licence contrary to the overriding principle that there should be no undercutting of the primary market; the orphan works licensing scheme must not result in a two tier market where lower priced ‘orphan works’ displace the use of commercial offerings.

The text in the Consultation document adjacent to this question notes that often licence fees charged for non-orphan works for a non-commercial use are low and that sometimes rightsholders do not require payment at all. Tellingly, it then says that “where payment is required, the Museum is unable to use the work because it cannot afford to do so”. But surely the price asked by the rightsholder for the non-commercial use of a known work should determine the licence fee that is applicable for an orphan work, regardless of the state of the Museum’s finances?

Whilst we recognise the concerns of various public institutions, we think it is vital to obtain permission for a licence each use of an orphan work individually to ensure rightsholders’ legitimate interests are not damaged and that there is no distortion in the market.

**Question 4. Should there be a limit on the period of time in which a rights holder can claim his/her remuneration? If yes, taking into account the examples of time limits set out at paragraph 5.9, what should that period be and why?**

**CLA Response:** Given that the Regulations will permit dealing with a property right, without the consent of the owner of that property, any limitation period should be lengthy. 6 years is, as the Consultation paper notes, the standard limitation period for actions founded on tort and contract, but it is 12 years for land (another property right). It should also be noted that if the licensing activity would, apart from these Regulations, amount to a criminal activity under s. 107, there would be no time limit.

The only reasonable argument for the period being less than the copyright period is the administrative burden of holding the fees and maintaining records for that period. But the amounts held are likely to be small (certainly relative to the size of the Government purse) and, unlike a typical licensing body (a limited liability company that can be wound up at any time), there is no particular need for there to be a finite limit on contingent liabilities. We therefore suggest that the liability should remain throughout the copyright period in question. If there is to be a time limit we suggest 15 years as per the example given in the Consultation paper for dormant bank accounts.

**Question 5. At what point should the Government be able to distribute unclaimed funds? What is the rationale for your answer?**

**CLA Response:** The Consultation paper quite rightly draws a distinction between the period during which a rightsholder may claim for the use of their works under an orphan works and the period after which the Government may use the funds.

Fair compensation, either under the exception or licence, should be available to emergent rightholders for uses taking place during the period when the work remains in copyright. But as regards the authorising body, unclaimed fees can be used after 6 years or even earlier if it were to maintain a contingency fund to pay any emergent rightsholders.

**Question 6. What should any unclaimed funds be used for and why?**

**CLA Response:** We would like to repeat as an introductory point that, along with other representative bodies of rightsholders, we believe it is wrong to apply the “bona vacantia” principle to these funds. Bona vacantia applies to existing property which is truly ownerless, and which therefore necessarily has to pass by law to the Crown. But licence fees for orphan works licences cannot be said to be truly ownerless in the same way as the estate of someone who has died intestate with no kin to inherit (the example given in the Consultation paper). In this case it would primarily be a question of identifying and locating a copyright owner rather than there not being one at all. The analogy would only become relevant after the expiration of the copyright period (see Question 4 above).

As the funds are due to rightsholders, it seems appropriate that the Government should be under no lesser duty than licensing bodies are regarding undistributed under the CRM Directive. Undistributed fees therefore should be used (in the words of the CRM Directive) for “social, cultural and educational activities for the benefit of rightsholders”.

**Question 7. Should there be a right of appeal for users of orphan works in the event of unreasonable actions by the authorising body (IPO)? If so, should this cover a) licence fee tariffs (e.g. via the Copyright Tribunal) b) refusals to grant licences or c) both?**

**CLA Response:** We recognise that users should have a right of appeal against an unreasonable refusal to grant a licence or against a decision only to grant a licence at an unreasonable rate or otherwise on unreasonable terms and conditions. This would be consistent with the regime applicable to collective licensing generally under the Copyright, Designs and Patents Act. Whilst an unreasonable refusal to grant a licence could amount to a default in process that might be suitable for First-Tier Tribunal, it would seem generally better that the Copyright Tribunal handles all appeals

against an IPO decision on the basis that this is the body with the relevant expertise and indeed statutory duty to determine reasonable licence terms and conditions.

However, we are concerned that this will result in a one-sided system in which a user can apply for a licence, but has a right of appeal to seek a reduction in the rate determined by the IPO, following expert guidance, to be the market rate. One of the key principles for an orphan works scheme, readily agreed to by the Government when it announced this proposed legislation, was that it should not undermine primary markets. This leads us to suggest:

- (i) rightsholders, or their representative bodies, should also have a right to contest any such appeal; and
- (ii) the Tribunal should be obliged to have regard to the need to avoid undermining the primary market in reaching its decision on the rate (and indeed other terms) when reaching a conclusion to what is “reasonable”.

Furthermore, there is no process for appeal where it is thought that the licence granted by the authorising body has been set at too low a rate or set on other terms which may endanger the primary market. Clearly the orphan works owner has that right, but by definition is going to be unaware of the decision (at least initially) and therefore unable to contest it. In order to ensure a level playing field, a right of appeal to the Copyright Tribunal should also be granted to intellectual property rights management bodies such as licensing bodies and publisher and author associations.

**Questions 8 – 21: Not applicable, as we are not a user organisation**

**Question 22. Do you agree that we should not implement the optional provision?**

**CLA Response:** It would seem odd to implement legislation to deal with orphan works (including unpublished works) whilst at the same time creating problems in the future for unpublished works deposited with public institutions but made publicly accessible with the consent of the rightsholder.

The important thing here is to understand more clearly what is meant by the term “publicly accessible” as opposed to “publication”. An unpublished work may have been deposited with an institution on the basis that it could be shown to the public – i.e. those actually visiting premises of a library or a museum – but not that it should be made available globally through the Internet. Some guidance at what is meant and how this will be verified would be welcome. The guidance should also include an objective consideration of the nature of the works (e.g. personal papers, letters, diaries, etc) and how exploitation of certain works never intended for publication fits with the Berne 3 step test.

Similarly, some guidance on how the intentions of the rightsholder as to whether or not he or she would oppose making work available, etc., is to be divined would be helpful (Regulation 2(5) of the Certain Permitted Uses of Orphan Works Regulations).

**Question 23. Are there any other sources that should be added to this list of essential sources?**

**CLA Response:** we think in addition the list should include search engines as a minimum requirement: it is likely to be the first place that users will look anyway.

**Question 24. Do you agree with the addition for non published works under Part 2 of the Schedule? Are there any other sources that could be added for unpublished works?**

**CLA Response:** to the extent that unpublished works are covered by the Regulations, then diligent search requirements must be applied and so they should be included in Schedule 2. But there is an additional element here in that the diligent search is not merely trying to identify and locate the rightsholder, but is also to understand their intentions as to public accessibility and use of the work. Therefore additionally reference should be had to the relevant Will through a search of the Probate Department. Again search engines should be specifically listed.

**Question 25. Is there a realistic prospect that civil sanctions will not provide appropriate remedies? In what circumstances?**

**CLA Response:** We do not think it is entirely correct to state (as per para. 5.18 of the Consultation Paper) that criminal copyright infringements only apply to making commercial use of works and that therefore the provision of civil sanctions alone is consistent with the current position. Whilst s. 107 is primarily aimed at commercial use, it also makes it an offence for a person, without the licence of the copyright owner, to distribute “otherwise than in the course of a business to such an extent as to affect prejudicially the owner of the copyright” (see s.107(1)(e) CDPA 1988).

In other words, even non-commercial use can be criminal where it is done on such a scale as to impact adversely on the legitimate interest of the rightsholders. This echoes the point made earlier that looking at whether or not a use is commercial is only one side of the coin, the other being to what extent it precludes the possibility of a commercial exploitation.

We think, therefore, that where a search is found not to be diligent, then the possibility should exist of criminal liability under s. 107 applying if the distribution, whilst not commercial, is to such an extent to affect prejudicially owner of the copyright

**Question 26. Do you agree with this approach? Where should the burden of proof lie, and why?**

**CLA Response:** Yes, the level of fair compensation should be settled initially by negotiation between the relevant body and an emerging rightsholder. In the negotiation there should not be a formal burden of proof requirement with the matter being handled in the usual way for negotiations (and with the possibility of mediation to resolve differences). See also Question 27.

**Question 27. Is it necessary to provide for an appeals process on the level of fair compensation? Who should administer such an appeals process?**

**CLA Response:** It would be necessary to have an appeals process should the authorising body and the emerging rightsholder fail to reach agreement and are unable to resolve their differences through mediation. In that case, the appeal should be to the Copyright Tribunal. The burden of proof issue is more relevant to this question (as this is a legal process) but we feel there should be no presumptions one way or the other, consistent with the general approach taken by the Copyright Tribunal in settling disputes on licensing fees.

**Do you have any other comments that might aid the consultation process as a whole?**

## **1. The Copyright (Licensing of Orphan Works) Regulations 2014**

### **Diligent Search**

The Regulations state that the “authorising body” may issue guidance on what comprises a diligent search and that “the guidance *shall have regard to* the sources listed in the Schedule...”

This seems to allow some scope for the diligent search requirements for the purposes of the Orphan Works Licensing Regulations to be relaxed as compared to the requirements for the Permitted Uses Regulations under the EU Directive. We believe the diligent search requirements should be at least as stringent as for the Permitted Use Regulations (if not more so given that the intended use will generally be commercial). Therefore Regulation 4(3) should be rephrased to refer to the sources listed in the Schedule to the Permitted Use Regulations as being a minimum standard.

### **Record and register of orphan works**

It is assumed that copies of the actual orphan works licences granted will be publicly available (and not just details of the rights of licences granted).

We think the Regulations should place on the authorising body the onus of monitoring and enforcing compliance with the terms and conditions of orphan work licences.

The period we should suggest for the authorising body to retain the information under Regulation 5(1) should be either the life of the licence granted or 7 years, whichever is the longer.

## **2. The Copyright (Certain Permitted Uses of Orphan Works) Regulations 2014**

### **Relevant Body and Orphan Works (Regulation 1)**

The key constraint on the use of an orphan work (in relation to a relevant body's public-interest mission) is set out in Regulation 1(3), but may sit better in Regulation 5 ("Permitted uses of orphan works").

There appears to be a stray comma in Draft Regulation 1(b) which renders the meaning unclear.

### **Definitions**

Regulation 2(1) defines a "relevant body" to include a "publicly accessible library". This is taken from the Directive, but introduces a new term in UK law and is unclear if this is intended to mean the same as a "public library" as defined in s. 178 of the CDPA 1988. If it is intended that a "publicly accessible library" is different in some way from entities comprised in the definition of a "public library", this should be made clear. If not, it might be sensible to use the same defined terminology.

### **First Publication**

Regulation 2(4) reflects the requirement that for a work to qualify for use, it has to have been "first published" in the UK (and therefore a diligent search would have to be carried out in the UK). It should be made clear that this means actual first publication and not a "deemed first publication" under the simultaneous publication rules where a work may also have been published in another member state of the European Union within 30 days.

Regulation 2(5) – there is a stray comma that again renders the meaning unclear.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply:  Yes  No

At the IPO we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes  No