

The orphan works provisions of the ERR Act: are they compatible with UK and EU laws?

by *Eleonora Rosati**

Introduction

On 25 April 2013 the Enterprise and Regulatory Reform Act 2013 (ERR Act) received Royal Assent. The ERR Act contains a number of heterogeneous copyright provisions, including one – Section 77(3) – which confers a new power upon the Secretary of State to provide by regulations for the grant of licences in respect of orphan works.¹

This article analyses the legislative framework for orphan works as resulting from the ERR Act and compares it with the recently adopted Directive 2012/28/EU² (the Orphan Works Directive, which the UK must implement – along with all other EU Member States – by 29 October 2014).³ Although the actual shape of UK orphan works legislation has yet to be fully defined – either under the ERR Act, or the Orphan Works Directive –, this contribution questions whether in principle the ERR Act is compatible with the Copyright and Designs Patents Act 1988 (CDPA), Directive 2001/29/EC (the Information Society or InfoSoc Directive)⁴, the Charter of Fundamental Rights of the European Union⁵, and the Orphan

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¹ Pursuant to Section 103(1) of the ERR Act, Section 77 entered into force the same day the Act was passed.

² Directive 2012/28/EU of the European Parliament and of the Council of 25 October 2012 on certain permitted uses of orphan works, OJ L 299, 5-12.

³ *Ibid*, Article 9.

⁴ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L 167, 10-19.

Works Directive. This requires consideration of the nature of the regimes embodied in the ERR Act (which purports to adopt a ‘licensing’ approach) and the Orphan Works Directive (which creates an exception), as well as the more general relationship between EU and national laws (in particular the principle of supremacy of EU law and the doctrine of EU pre-emption), so to establish whether, by adopting its orphan works provision in the ERR Act, the UK acted in breach of its obligations under EU law. In any case, it is submitted that the UK has rendered impossible any meaningful implementation of the Directive into its national law. As a matter of practice, there will be no significant advantages to claiming the benefit of the orphan works provisions under the Directive, rather than the parallel provisions under the ERR Act, at least for works that will be exploited within the UK territory.

The article begins by discussing the history of the domestic orphan works legislation (Part I), tracing its origins back to the Gowers and Hargreaves Reviews. This history suggests that the UK regime is intended to work through licensing, and to be broad in scope. Part II considers the Orphan Works Directive. This section highlights that in many respects the Orphan Works Directive offers much narrower freedom to use orphan works than will be possible under the ERR Act. Part III considers the legal nature of the mechanism envisaged by the ERR Act and questions its qualification as a licensing approach. It holds the view that the ERR Act has rather adopted an exception ‘in disguise’ which – as such – contravenes both the CDPA and the InfoSoc Directive, or even deprives missing rightholders of their own intellectual property, contrary to Article 17 of the Charter of Fundamental Rights. Part IV assesses the ERR Act against the Orphan Works Directive. It begins by considering the principle of supremacy of EU law, and the doctrine of pre-emption. It then assesses what the provisions in the Directive offer users over and above the rules under the ERR Act. On the basis that the benefits of the Orphan Works Directive are at best marginal, the article suggests that – even accepting the different legal methodology (licensing rather than exception) – there must be serious doubts about the legitimacy of the ERR Act provision under EU law.

I. ORIGIN OF THE ORPHAN WORKS PROVISIONS IN THE ERR ACT

Section 77(3) of the ERR Act amended the CDPA so to include new Section 116A after Section 116 CDPA. Section 116A CDPA allows the Secretary of State to adopt

⁵ Charter of Fundamental Rights of the European Union, OJ C 364, 1-22.

regulations that provide for the grant of ‘licences’⁶ in respect of works that qualify as orphan works under said regulations. Similarly to the failed orphan works provision in the Digital Economy Bill⁷, the ERR Act does not define the term ‘orphan works’, instead leaving the task to implementing regulations. These regulations must provide that, for a work to qualify as orphan, the copyright owner has not been found after a diligent search made in accordance with said regulations. The Act also imposes some limitations on the nature of the licences that may be granted. Besides designation of the subjects entitled to grant licences for use of orphan works, the regulations may also provide for the granting of licences to do, or authorise the doing of, any act restricted by copyright that would otherwise require the consent of the missing copyright owner. In addition, the regulations must provide for any licence to have effect as if granted by the missing copyright owner, not to give exclusive rights, and not to be granted to a person authorised to grant licences. Finally, the regulations might apply to a work although it is not known whether copyright subsists in it, and references to a missing copyright owner and a right or interest of a missing copyright owner shall be intended as including references to a supposed rights owner and a supposed right or interest.

Besides new Section 116A CDPA, Section 77(3) also introduces a specific provision (Section 116B CDPA) on Extended Collective Licensing (ECL). Among other things, this authorises the Secretary of State to issue regulations to allow a licensing body (eg a collecting society) to grant licences in respect of works in which copyright is not owned by the body or the person on whose behalf the body acts. Orphan works might be subject to ECL, but this is not intended for the mass licensing of orphan works, in that a prior diligent search shall be conducted in respect of each work for the sake of determining whether it is orphan.⁸

The orphan works provisions in the ERR Act appear in line with UK Government’s response⁹ to the 2011 Hargreaves Review of Intellectual Property and Growth¹⁰, from which

⁶ The use of inverted commas is justified by the fact that the Secretary of State is not the owner of any rights in orphan works so it is not clear how he/she can grant licences. It would make more sense if the (unidentifiable, unlocatable or uncontactable) owner was ‘deemed’ to license the use of his/her work(s). See below, *sub* §III, for further discussion on the actual licensing nature of the UK orphan works scheme.

⁷ In the end no orphan works provision was included in the Digital Economy Act also because of strong opposition of interested stakeholders (in particular, the photographer group ‘Stop 43’). Clause 43 of the Digital Economy Bill had proposed that a new Section 116A would be introduced into the CDPA, the first paragraph stating: “*The Secretary of State may by regulation provide for authorising a licensing body or other person to do, or to grant licences to do, acts in relation to an orphan work which would otherwise require the consent of the missing owner.*” The text of the proposed provision may be viewed at tinyurl.com/le2dnwn.

⁸ Intellectual Property Office, *Factsheet – Orphan Works Licensing Scheme and Extended Collective Licensing* (June 2013), available at tinyurl.com/opsezpq, 5.

⁹ HM Government, *The Government response to the Hargreaves Review of Intellectual Property and Growth* (2011), available at tinyurl.com/4xsgbqw.

¹⁰ I Hargreaves, *Digital Opportunity. A Review of Intellectual Property and Growth* (2011), available at tinyurl.com/6bxcerw.

new Section 116A CDPA ultimately emerged. Prior to the Hargreaves Review, the issue of orphan works had been addressed in the 2006 Gowers Review of Intellectual Property.¹¹ While acknowledging that “*many works that lie unused could create value*”¹², the Gowers Review rejected the proposal of the British Screen Advisory Committee to introduce an exception into UK copyright to permit use of orphan works. This was because “*such an exception would be incompatible with UK’s obligations under the Information Society Directive*”¹³, in that “*Article 5 of this Directive sets out the permissible exceptions to copyright and none of these seem to envisage a commercial orphan works exception.*”¹⁴ The Gowers Review concluded that UK Government should work with the other EU Member States to amend the InfoSoc Directive to include such an exception. Given the alleged incompatibility of a new UK exception on orphan works with EU law, the Digital Economy Bill of 2010 included an orphan works provision – clause 43 – which envisaged a licensing mechanism. Similarly, the Hargreaves Review recommended Government’s intervention to enable licensing of orphan works, by means of an extended collective licensing scheme for mass licensing of orphan works, and a clearance procedure for use of individual works. A licensing system would have not altered the balance between exclusive rights and exceptions to copyright and could have also been compliant with the recommendations put forward by the European Commission in 2006.¹⁵ Although the Hargreaves Review did not mention the 2006 recommendations, the Digital Britain Report (this being the background document to the Digital Economy Bill) had justified intervention in the area of orphan works by referring, among other things, to the efforts of the Commission in encouraging Member States to adopt voluntary licensing schemes.¹⁶

The Hargreaves Review claimed/assumed that a licensing approach would have not been subject to the limitations of Article 5 of the InfoSoc Directive (especially with regard to commercial uses of orphan works), thus being broader in scope than that the “*limited (and expected to be non commercial) initiative in the area of orphan works*”¹⁷ at the EU level. The

¹¹ A Gowers, *Gowers Review of Intellectual Property* (2006), available at tinyurl.com/ouevnt9.

¹² *Ibid*, 70.

¹³ *Ibid*, 71.

¹⁴ *Ibid*, fn 82.

¹⁵ “*Licensing mechanisms in areas such as orphan works – that is to say, copyrighted works whose owners are difficult or even impossible to locate – and works that are out of print or distribution (audiovisual) can facilitate rights clearance and consequently digitisation efforts and subsequent online accessibility.*” (Commission Recommendation of 24 August 2006 on the digitisation and online accessibility of cultural content and digital preservation (2006/585/EC), OJ L 236, 28-30, on which see further below, *sub* §II.1.)

¹⁶ Department for Business, Innovation and Skills, *Digital Britain – Final Report* (June 2009) available at tinyurl.com/ooabqop, 116.

¹⁷ Hargreaves, *Digital Opportunity*, *cit*, 40.

Hargreaves Review concluded that, by adopting its orphan works scheme, the UK would have had the chance “*to take a lead by implementing a flexible and comprehensive national level solution, for which there [was] an evident appetite from many parties.*”¹⁸

The Government agreed with the Review’s fundamental premise that “*it benefits no-one to have a wealth of copyright works be entirely unusable under any circumstances because the owner of one or more rights in the work cannot be contacted.*”¹⁹ Thus, in summer 2011 it announced its intention to bring forward proposals for an orphan works scheme that would allow “*for both commercial and cultural uses of orphan works, subject to satisfactory safeguards for the interests of both owners of ‘orphan rights’ and rights holders who could suffer from unfair competition from an orphan works scheme.*”²⁰ UK plans to permit broad uses of orphan works are to be seen in the light of parallel developments at the EU level. On 24 May 2011 the Commission released both its blueprint on intellectual property rights²¹ and its Proposal for a directive on certain permitted uses of orphan works.²² UK Government welcomed an EU initiative in the area of orphan works. However, it expressed its belief that “*in order to be effective any solution must be flexible with regard to the types of work included, the organisations which may use the works, and the uses to which they may be put.*”²³ As such, while a welcome sign of progress, the draft Directive was not considered enough to address orphan works issues. UK Government believed that the Directive “*could beneficially go further ... in order to deliver a suitably flexible and usable solution.*”²⁴ No such extension was provided and, in some respects (in particular, independent national initiatives in the area of orphan works), the scope of the Directive eventually adopted is even narrower than the initial Proposal.²⁵

At the end of 2011 UK Government launched a public consultation²⁶ to receive stakeholders’ feedback on the initiatives proposed to implement a number of the

¹⁸ *Ibid.* However the Review did not indicate who these “*many parties*” were or could be.

¹⁹ HM Government, *The Government response to the Hargreaves Review*, cit. 6.

²⁰ *Ibid* (emphasis added).

²¹ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *A single market for intellectual property rights boosting creativity and innovation to provide economic growth, high quality jobs and first class product and services in Europe*, Brussels 24 May 2011, COM(2011) 287 final.

²² Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works, COM(2011) 289 final, Brussels, 4 May 2011, on which see below, sub §II.1.

²³ Department of Business, Innovation and Skills, *A single market for intellectual property rights* (14 June 2011), available at tinyurl.com/mmqcevh, [7.16].

²⁴ *Ibid.*

²⁵ See below, sub §IV.4.

²⁶ HM Government, *Consultation on copyright* (2011), available at tinyurl.com/n9p9elr.

recommendations it had accepted in its response to the Hargreaves Review. Among other things, UK Government held the view that the introduction of a specific exception to copyright for the use of orphan works would not conflict with UK's international obligations, in particular the Berne and InfoSoc Directive three-step test.²⁷ However, to take full advantage of the benefits associated with permitting use of orphan works, it expressed its preference for a licensing scheme to allow both non-commercial and commercial uses of a wide variety of orphan works.²⁸ In the same document UK Government also announced its intention to introduce a voluntary ECL scheme that would allow collecting societies to grant licences on behalf of all rights holders in a particular sector, except for those who decide to opt out. UK Government acknowledged that, while ECL could not be proposed as a solution to orphan works specifically (the proposed scheme would not envisage an *ex ante* diligent search), any ECL schemes would likely involve some orphan works.²⁹

II. ORPHAN WORKS IN THE ORPHAN WORKS DIRECTIVE

The actual shape of UK orphan works legal framework resulting from the ERR Act will only become clear with the adoption of the implementing regulations.³⁰ In any case, the orphan works framework envisaged herein differs greatly from the very limited provisions of the Orphan Works Directive. One major difference between the Directive and the ERR Act concerns the mechanism (exception or licence) for permitting use of orphan works.³¹ In addition, unlike the Directive, the UK orphan works scheme does not provide any particular limitations as regards the range of beneficiaries, the types of works that can be subject to the orphan work treatment, and the possible uses of such works, including widespread commercial uses. Nor does anything in the earlier Government statements suggest it intends to introduce such limitations. During the second reading of the ERR Bill in the House of Lords Viscount Younger of Leckie (current Parliamentary Under Secretary of State for Intellectual Property at the Department for Business, Innovation and Skills) explained the advantages of allowing both non-commercial and commercial uses of orphan works, and

²⁷ *Ibid*, 20.

²⁸ *Ibid*, 21.

²⁹ *Ibid*, 39.

³⁰ According to the indicative table released by UK Government (available at tinyurl.com/m6bnlot), these should come into force by October 2014.

³¹ See below, *sub* §III.

highlighted that “*this could lead to benefits of up to £220 million a year. Nine out of 10 respondents to the Government's consultation were in favour of commercial use of orphan works.*”³²

II.1. Background to the Directive

Although reflection as to whether an EU intervention in the area of orphan works was needed began to gain momentum following the launch of the i2010 digital libraries initiative in 2005³³, it was only in 2008 that the Commission expressly acknowledged the potential cross-border nature of issues pertaining to orphan works.³⁴ Prior to this (in 2006), the Commission had issued a recommendation in which it encouraged Member States to adopt licensing mechanisms to facilitate the use of orphan works while promoting the availability of lists of known orphan works.³⁵ When a directive on certain permitted uses of orphan works was first proposed in 2011³⁶, the only Member States that had any legislation on orphan works were Denmark, Finland, Hungary, Sweden, France and the UK.³⁷ The Commission noted that Member States’ legislative inactivity could depend on the fact that soft law (the 2006 Recommendation) had not been enough to induce them to take action in respect of orphan

³² House of Lords, Enterprise and Regulatory Reform Bill, Second reading, Grand Committee, 10th sitting, 31 January 2013: Column GC545, available at tinyurl.com/bjat7vw. The consultation in question is HM Government, *Consultation on copyright, cit.* Drawing from Government policy statements as spelled out in the 2011 Government consultation, a report (R Spires – M Rooke, *Orphan works in the UK and overseas* (2013), available at tinyurl.com/nqsv55q) prepared at the request of the UK Intellectual Property Office analysed the likely impact of adopting a UK orphan works licensing scheme. The following were highlighted as the main benefits of introducing such a scheme: increased supply and availability of contents, reduced risk to infringe third parties’ copyright and need for ownership searches, improved scope and quantity of products and services. Overall, the report concluded that interviewed organisations in the UK supported the introduction of an UK orphan works system. The small group that did not considered that it would be too costly to administer and that licences could take too long to be issued. As such, these costs would outweigh the benefits of such scheme.

³³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *i2010: Digital Libraries*, COM(2005) 465 final, Brussels, 30 September 2005.

³⁴ Green Paper on *Copyright in the knowledge economy*, COM(2008) 466 final, Brussels, 16 July 2008.

³⁵ Commission Recommendation of 24 August 2006 on the digitisation and online accessibility, *cit.*

³⁶ Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works, *cit.*

³⁷ Commission Staff Working Paper, *Impact Assessment on the cross-border online access to orphan works accompanying the document ‘Proposal for a directive of the European Parliament and of the Council on certain permitted uses of orphan works’*, SEC(2011) 615 final, Brussels, 24 May 2011, 12. None of the legislative initiatives (possibly with the sole exception of the failed orphan works provision in the Digital Economy Act) appeared to be expressly a response to the 2006 Commission Recommendation: see *i2010: Digital Libraries – High Level Expert Group – Copyright Subgroup, Final report on digital preservation, orphan works, and out-of-print works*, 4 June 2008, available at tinyurl.com/q32ac9z, 12 ff.

works.³⁸ In relation to the UK, the Commission mentioned Sections 167, 168 and 190 CDPA as the provisions that could be considered as a form of orphan work legislation. Sections 167 and 168 provide for an implied indemnity in certain schemes and licences, while Section 190 concerns the power of the Copyright Tribunal to grant permission to make a copy of a recording of a performance where the identity or whereabouts of the person entitled to the reproduction right cannot be ascertained by reasonable inquiry. The Impact Assessment accompanying the Commission's Proposal for a directive on certain permitted uses of orphan works also recalled the failed attempt to incorporate a specific provision on licensing of orphan works in the Digital Economy Act.³⁹

In its document the Commission analysed a number of policy options to tackle orphan works issues, these being 'doing nothing' or enacting one of the following instruments: a statutory exception to copyright, extended collective licensing, an orphan-specific licence granted by collecting societies⁴⁰, an orphan-specific licence granted by a public body, or the mutual recognition of national solutions regarding orphan works. The Impact Assessment concluded that an approach based on the mutual recognition of the orphan status would allow libraries and other beneficiaries to enjoy legal certainty as regards the orphan status of a particular work. Mutual recognition would also ensure that the orphan works contained in a digital library would be available to citizens across the EU.⁴¹ All other approaches would require significantly more administrative overhead and licensing infrastructures just for orphan works. Hence, a solution based on mutual recognition would be the least intrusive to achieve the desired result, thus complying with the principle of proportionality.⁴²

³⁸ Commission Staff Working Paper, *Impact Assessment*, cit, 12.

³⁹ M Favale – F Homberg – M Kretschmer – D Mendis – D Secchi, *Copyright and the regulation of orphan works. A comparative review of seven jurisdictions and a rights clearance simulation* (2013), available at tinyurl.com/pl22ws2, 6, fn 6, refer to Section 57 CDPA as a provision that affects a small subset of orphan works: "Copyright in a literary, dramatic, musical or artistic work is not infringed by an act done at a time when, or in pursuance of arrangements made at a time when – (a) it is not possible by reasonable inquiry to ascertain the identity of the author, and (b) it is reasonable to assume – (i) that copyright has expired, or (ii) that the author died 70 years or more before the beginning of the calendar year in which the act is done or the arrangements are made."

⁴⁰ In relation to this option, the Commission acknowledged that several licences covering orphan works from several jurisdictions would have been necessary to provide EU-wide access to orphan works. As a matter of practice, the resulting system might have proved too complicated. This complexity would ultimately depend on territoriality of Member States' copyright laws, current lack of a default EU legislative framework allowing pan-European licensing and, as a result of this, high transaction costs.

⁴¹ Commission Staff Working Paper, *Impact Assessment*, cit, 38.

⁴² Commission Staff Working Paper, *Summary of the Impact Assessment on the cross-border online access to orphan works accompanying the document Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works*, Brussels, 24 May 2011, SEC(2011) 616 final, available at tinyurl.com/og29thf, 2.

The Commission's Proposal for a directive on certain permitted uses of orphan works linked the notion of orphan work to that of diligent search and established the principle of mutual recognition of the orphan work status between Member States, by also providing for the possibility of putting an end to such status. The Proposal enumerated the uses that the beneficiaries would be permitted to undertake with respect to orphan works and specified how Member States could authorise certain additional uses under specific conditions (Article 7).⁴³ Overall, the initial Proposal did not provide any specific guidance as to the nature of the legal instrument that Member States would be required to adopt. Indeed, while the main concern appeared to be ensuring mutual recognition of the orphan work status across the EU, the draft directive did not say how this would be achieved.⁴⁴

The initial Proposal of the Commission underwent a series of amendments. Among other things, these regarded the inclusion of phonograms⁴⁵, the possibility of generating some revenues from the use of orphan works and the conditions under which rightholders might put an end to the orphan work status of their works.⁴⁶

A general analysis of the background to and text of the Orphan Works Directive has been already undertaken.⁴⁷ Hence, attention will be paid to those provisions in the Directive which mostly differ from the ERR Act and have the potential to raise concerns, firstly, when the UK implements the Directive into national law and, secondly, when considering using orphan works.

II.2. Notions of 'orphan work' and 'diligent search'

Article 2(1) of the Orphan Works Directive defines 'orphan works' as works for which it has not been possible to identify any of the rightholders or, even if one or more of

⁴³ On this particular aspect, *see* below *sub* §IV.4.

⁴⁴ Article 6(1) merely provided that "*Member States shall ensure that the organisations referred to in Article 1(1) are permitted to use an orphan work in the following ways: (a) by making the orphan work available, within the meaning of Article 3 of Directive 2001/29/EC; (b) by acts of reproduction, within the meaning of Article 2 of Directive 2001/29/EC, for the purposes of digitization, making available, indexing, cataloguing, preservation or restoration.*"

⁴⁵ The European Economic and Social Committee recommended inclusion of both phonograms and stand alone photographs: *see* Opinion of the European Economic and Social Committee on the Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works, COM(2011) 289 final – 2011/0136 (COD), OJ C 376, 66-68, [1.10].

⁴⁶ *Cf* Report on the proposal for a directive of the European Parliament and of the Council on certain permitted uses of orphan works (COM(2011)0289 – C7-0138/2011 – 2011/0136(COD)), 28 March 2012, available at tinyurl.com/pjmunfa; European Parliament, *Orphan works to go public*, 13 September 2012, available at tinyurl.com/9amunrw.

⁴⁷ E Rosati, 'The Orphan Works Directive, or throwing a stone and hiding the hand' (2013) 8(4) *JIPLP* 303.

them has been identified, none of them has been located despite having conducted a diligent search.⁴⁸

As mentioned above, the ERR Act does not define the term ‘orphan works’ (nor had the Digital Economy Bill done so in clause 43)⁴⁹ and new Section 116A(1) CDPA leaves this task to secondary legislation. UK Government’s Response to the Hargreaves Review appeared to consider the mere impossibility of contacting the owner(s) of one or more rights in a work as a sufficient condition for that work to be held orphan.⁵⁰ The Department of Business, Innovation and Skills in its 2012 Impact Assessment on orphan works⁵¹ and the authors of the 2013 report for the UK Intellectual Property Office (IPO) on *Copyright and the regulation of orphan works* referred to the impossibility of locating the relevant rightholder(s).⁵² In the 2011 Consultation orphan works were defined as works whose “owner/s is/are not known or cannot be located”⁵³, and UK Government provided a similar definition in its updated policy paper on the ERR Bill.⁵⁴ As things currently stand, it is difficult to say whether the notion of ‘orphan works’ eventually adopted by UK secondary legislation would differ – and, if so, to what extent – from the definition provided by the Orphan Works Directive.

Both the Directive and the ERR Act refer to the notion of ‘diligent search’ as a necessary condition to determine the orphan status of a work. Article 3 of the Directive mandates the duty for organisations⁵⁵ which intend to use allegedly orphan works to conduct a diligent search in good faith and in respect of each work or other protected subject-matter by searching appropriate sources. These will be determined by each Member State in consultation with relevant stakeholders and will include at least the relevant sources listed in the Annex to the Directive. Recital 14 to the Directive highlights the need for a harmonised approach at the national level as regards the notion of diligent search. To this end, Member

⁴⁸ In a similar sense see also United States Copyright Office, *Report on Orphan Works. A Report of the Register of Copyrights* (2006), 1.

⁴⁹ See DWK Khong, ‘The (abandoned) orphan-works provision of the Digital Economy Bill’ (2010) 32(11) EIPR 560, 562.

⁵⁰ HM Government, *The Government response*, cit, 6.

⁵¹ Impact Assessment BIS1063 ‘Orphan works’, cit, 3: “A copyrighted work is considered an orphan when it is not possible to locate the right-holders after a diligent search.”

⁵² Favale – Homberg – Kretschmer – Mendis – Secchi, *Copyright and the regulation of orphan works*, cit, 1: “‘Orphan works’ are works in which copyright still subsists, but where the rightholder, whether it be the creator of the work or successor in title, cannot be located.”

⁵³ HM Government, *Consultation on copyright*, cit, 14.

⁵⁴ Department for Business, Innovation and Skills, *Enterprise and Regulatory Reform Bill. Updated policy paper* (January 2013), available at tinyurl.com/csvoren, 28: “Orphan works are those copyright works where the rights holder is not known or cannot be located”.

⁵⁵ See below sub §II.4.

States might refer to the diligent search guidelines agreed in the context of the High Level Working Group on Digital Libraries established as part of the i2010 digital library initiative. This recommended that mechanisms at the national level comply with the following criteria: applicability to all kinds of works; the bona fide diligent search shall be conducted in the country of origin of the work; best practices or guidelines specific to particular categories of works may be devised by stakeholders in different fields, but such guidelines should not form part of legislation.⁵⁶

Similarly to the Directive, Article 116A(3) CDPA provides that conducting a prior diligent search is a necessary condition for a work to qualify as orphan. It is unclear whether the regulations that will be enacted pursuant to Section 116A CDPA would include a definition of ‘diligent search’ that departs from the overall architecture envisaged by the Orphan Works Directive. In any case, it is arguable that diverging standards of diligence might be eventually adopted under Section 116A CDPA implementing regulations and the piece of legislation that will transpose the Directive into UK law.

The one-size-fits-all notion of ‘diligent search’ in the Directive has been criticised as failing to provide any reference to the level of search being proportionate or appropriate to the circumstances of the works.⁵⁷ As explained by UK Government, the requirement of diligence under UK orphan works scheme might operate in different ways in different sectors:

“Diligent searches for complex works such as audio-visual works, that may contain moving and still images, speech and music, will necessarily take more time than works with only one type of copyright. The Government also recognises that photographs often lack any information about rights holders or about the photograph’s age, original purpose, subject matter or country of origin.”⁵⁸

In addition, differences would subsist between the Directive and the ERR Act as regards the geographic scope of the search. While the Directive applies to works that are first published in the territory of a Member State or, in the absence of publication, first broadcast in a Member State (Article 1(2)), the orphan works scheme resulting from the ERR Act provides that also non-UK works might be subject to the licensing mechanism envisaged therein.⁵⁹ Article 3 of the Directive provides that, in general, a diligent search shall be carried

⁵⁶ i2010 Digital Libraries Initiative – Final Report of the High Level Expert Group on Digital Libraries, *Digital Libraries: Recommendations and Challenges for the Future* (2009), available at tinyurl.com/ydn59mg, 4.

⁵⁷ Electronic Information for Libraries (EIFL), *The European Orphan Works Directive – an EIFL guide* (June 2013), available at tinyurl.com/pznt3ux.

⁵⁸ HM Government, *Consultation on copyright*, *cit.*, 19.

⁵⁹ *Ibid.*

out in the Member State of first publication or first broadcast. As regards the UK scheme, the IPO has already clarified that diligent search might involve searching abroad if necessary, although it has not expressly indicated where this would be.⁶⁰ This is because “[t]he issue of foreign works will be specifically addressed in the guidance on diligent search and the search will need to be as robust as for any other orphan work”.⁶¹ To address concerns that foreign rightholders might be unable to monitor use of their works in the UK, Viscount Younger of Leckie explained that a prospective licensing body must produce evidence with its application to show how it would deal with affected rightholders, including foreign ones.⁶²

Overall, a diligent search pursuant to the ERR Act might be intended as more rigorous than what is provided under the Orphan Works Directive. During the second reading of the ERR Bill in the House of Lords Viscount Younger of Leckie pointed out that “[t]he UK scheme has more safeguards than the EU orphan works directive. It includes a requirement that any diligent search is verified by an independent authorising body. The authorising body will not be able to license itself.”⁶³

II.3. Categories of works

The Directive applies to a number of literary, cinematographic and audiovisual works and phonograms contained in the collections of publicly accessible libraries, educational establishments, museums, film and audio heritage institutions, and public service broadcasting organisations established in the EU. It excludes stand-alone photographs and other images, although Article 10 permits future inclusion of publishers, works and other protected-subject matter that are currently outside the scope of the Directive.

Section 116A CDPA does not impose any restrictions as to the types of works that might be subject to the orphan work treatment (although some restrictions might be envisaged for ECL, as made clear by new Section 116B CDPA). This means that stand-alone photographs and other images may fall within the scope of Section 116A CDPA implementing regulations. By doing so, the ERR Act appears to have somehow re-stated the

⁶⁰ Intellectual Property Office, *Factsheet*, cit, 1.

⁶¹ *Ibid*, 3.

⁶² House of Lords, Enterprise and Regulatory Reform Bill, Second reading, Grand Committee, 10th sitting, 31 January 2013: Column GC547, *cit*. See also further below, *sub* §II.3.

⁶³ House of Lords, Enterprise and Regulatory Reform Bill, Second reading, Grand Committee, 10th sitting, 31 January 2013: Column GC545, *cit*. In the same sense, see Intellectual Property Office, *Factsheet*, *cit*, 1.

approach of the Digital Economy Bill, despite the fact that its proposed orphan work provision was much opposed by photographer groups (notably Stop43).⁶⁴

Under the general framework provided by the ERR Act, it could be possible for any person who has carried out a diligent search to obtain a licence to use individual orphan photographs, even for commercial reasons. To address photographers' concerns, in a factsheet released in June 2013 the IPO clarified that “[t]he diligent search requirements will involve sources online as well as other sources as appropriate, such as information held by trade associations for example, to provide a safeguard against any instances where metadata has been removed”.⁶⁵ In particular, it is believed that the recently established Copyright Hub might help the functioning of the orphan works scheme by having inter-linked databases that would facilitate diligent searches by providing a central source of information regarding ownership, to which rightholders might contribute by submitting their relevant ownership information.⁶⁶ New technological tools might also help reduce the risks of misappropriation of images.⁶⁷ In any case, it shall remain a civil infringement to remove metadata from a copyright work knowingly and without authority, and it shall be still possible to bring criminal proceedings against an infringer who communicates the work to the public or claims to be the copyright owner.⁶⁸

Contrary to the approach under Canadian law which permits the Copyright Board to issue a licence for the use of a work only if it has been published⁶⁹, both the Directive (Article 1(3)) and the ERR Act⁷⁰ include published and unpublished works. However, inclusion of the latter might raise both moral rights issues and problems of compliance with international law. With regard to moral rights, in some countries these include the right of the author to publish

⁶⁴ Cf S De Silva – F Weedon, ‘The Digital Economy Act 2010: past, present and a future “in limbo”’ (2011) 17(3) CTLR 55, 58.

⁶⁵ Intellectual Property Office, *Factsheet*, cit, 2.

⁶⁶ *Ibid*, 3. On the Copyright Hub, see copyrighthub.co.uk/.

⁶⁷ For instance, Google has implemented a ‘search by image’ tool, which allows you to do a reverse image search and discover all sorts of content that is related to a specific image.

⁶⁸ Intellectual Property Office, *Factsheet*, cit, 2-3.

⁶⁹ Section 77 of consolidated version of Canadian Copyright Act (RSC, 1985, c C-42) (2013), on which see J de Beer – M Bouchard, ‘Canada’s “orphan works” regime: unlocatable copyright owners and the Copyright Board’ (2009), available at tinyurl.com/paxtd5u, 11-12.

⁷⁰ HM Government, *Government policy statement*, cit, 9: “Given the strong indications given by museums, libraries and archives that a large part of their collections are unpublished, unique works, the Government is minded to include some unpublished works in the scope of the scheme. The scope for this will be determined in the light of concerns about privacy and the publication of works intended for publication but not yet published, for example.”

– as well as not to publish – his/her work.⁷¹ In these very legal traditions moral rights cannot be waived, so it is not difficult to see that use of unpublished works might be potentially problematic from a moral right standpoint. In addition, use of unpublished works might also raise international law issues. Although the three step test does not explicitly exclude unpublished works from the range of permissible exceptions⁷², it has been argued that the “*legitimate interests of the author*” as per Article 9(2) of the Berne Convention⁷³ include the interest in determining whether his/her work shall be publicly disclosed.⁷⁴

As mentioned, the UK orphan works scheme and the Directive differ as regards the country of origin of the works. The Directive applies only to works and phonograms that are first published or broadcast in the territory of a Member State. The decision to limit the application of the Directive to works or phonograms first published or broadcast within the territory of the EU was justified by compliance with the principles of subsidiarity and proportionality. Two logics sit at the heart of the subsidiarity principle. The first is that the Union should not intrude on national, regional and local cultural and political identities. The second is that the objects of a measure can, by reason of its scale or effect, be better achieved at the EU level.⁷⁵ Article 5 of the Treaty on the European Union (TEU)⁷⁶ distinguishes between the existence of a competence and the use of such competence, the former being determined by subsidiarity and the latter by both subsidiarity and proportionality.⁷⁷ In its Impact Assessment, the Commission explained that EU intervention in the area of orphan works was needed because existing national legislations did not provide for the recognition of diligent searches already carried out in other Member States where the work or phonogram in question had been first published, and that it was unlikely that they would individually decide to do so.⁷⁸ Hence, an EU intervention that provided for the mutual recognition of the orphan work status of works first published in EU Member States would have been necessary to fulfil objectives that Member States alone would have not achieved and, as such, would have not

⁷¹ See, amongst others, Article 24 of the Italian Copyright Act (Legge No 633 on 22 April 1941 as to 9 February 2008), and Article L-121-2 of the French Intellectual Property Code (Code de la Propriété Intellectuelle as last amended by Decree No 2012-634 of 3 May 2012).

⁷² On the legal nature of the mechanisms envisaged by the Orphan Works Directive and ERR Act to permit use of orphan works, see further below, *sub* §II.6.

⁷³ Berne Convention for the Protection of Literary and Artistic Works as amended on 28 September 1979.

⁷⁴ JC Ginsburg, ‘Contracts, orphan works, and copyright norms: what role for Berne and TRIPS?’ (2009) Columbia Law School – Public Law & Legal Theory Working Paper Group, Paper 09-200, 14.

⁷⁵ D Chalmers – G Davies – G Monti, *European Union law* (2nd edn, CUP:2010), 363-364.

⁷⁶ Consolidated version of the Treaty on the European Union, OJ 83, 13-45.

⁷⁷ P Craig – G de Búrca, *EU law – Text, cases, and materials* (5th edn, OUP:2011), 95.

⁷⁸ See Commission Staff Working Paper, *Impact Assessment*, *cit*, 14.

exceeded what was necessary to realise the aims of the Digital Agenda for Europe, including cross-border access to orphan works in the single market.⁷⁹ This implies that mutual recognition of the orphan work status of a work will occur just for EU-originating works. Although limited to the territory of the UK, the orphan works scheme resulting from the ERR Act might include foreign (non-UK and also non-EU) works. Similarly to the approach taken under Canadian law⁸⁰, the UK intends to permit the licensing of orphan works owned by an unlocatable foreign national.⁸¹ In any case, the orphan status of a certain non-EU work as recognised under the UK scheme would not be subject to mutual recognition across the EU.

Representatives of foreign rightholders (in particular, US photographers) have argued that “[f]oreign copyright owners cannot reasonably be expected or required to monitor orphan works listings and notifications in the UK and all countries in order to protect their works and receive compensation.”⁸² The IPO has clarified that the Act “will not legalise the unlicensed use of foreign works in the UK nor prevent rights holders in other countries from licensing their exclusive rights in the UK.”⁸³ Among other things, concerns expressed by foreign rightholders call into question issues of international law, including (as also seen in relation to the US Google Books Settlement⁸⁴) national treatment and prohibition of formalities. With particular regard to the latter, the fact that the UK scheme will work through licensing may not be enough to ensure automatic compliance with this Berne requirement⁸⁵, as foreign rightholders might be *de facto* required to monitor lists of available orphan works in the UK. In any case, even limiting orphan works schemes to domestic works may not significantly lessen potential exploiters’ burden, because in many cases they would still have to spend resources to determine the origin of the work.⁸⁶ So, for instance, while it might be

⁷⁹ *Ibid.*, 8.

⁸⁰ Section 77 of consolidated version of Canadian Copyright Act, *cit.*, on which *see* Beer – Bouchard, ‘Canada’s “orphan works” regime’, *cit.*, 22.

⁸¹ Intellectual Property Office, *Factsheet*, *cit.*, 1. The Supreme Court of Canada held that foreign works may be licensed in Canada to cover persons or activities that have a real and substantial connection with this country: *see Society of Composers, Authors and Music Publishers of Canada v Canadian Assn of Internet Providers* [2004] 2 SCR 427, 2004 SCC 45, [60]-[61], a case concerning the question of who should compensate musical composers and artists for their Canadian copyright in music downloaded in Canada from a foreign country via the internet.

⁸² E Mopsik – D Trust – SD Elliot – C Aron – S Best – T McKiernan, *Letter to Dr Vince Cable*, 8 November 2012, available at tinyurl.com/qdv76gd.

⁸³ Intellectual Property Office, *Factsheet*, *cit.*, 1.

⁸⁴ *See* B Lang, ‘Orphan works and the Google Book Search Settlement: an international perspective’ (2010) 55(1) N Y L Sch L Rev 111, 115 ff.

⁸⁵ Cf EF Schulze, ‘Orphan works and other orphan material under national, regional and international law: analysis, proposals and solutions’ (2012) 34(5) EIPR 313, 319: “Changes to international treaties are not required because licences neither require exceptions nor are they a formality.”

⁸⁶ Ginsburg, ‘Contracts, orphan works, and copyright norms’, *cit.*, 14.

easier to determine the origin of a literary work written in a language which is spoken only in a certain country, it would be indeed difficult to do so in relation to a literary work written in a language which is spoken in several countries. However, as things currently stand, treatment of foreign orphan works within the UK scheme appears still at too an early stage of discussion to be properly assessed under any lenses, including international law.

II.4. Beneficiaries

One of the main differences between the Orphan Works Directive and the ERR Act concerns the beneficiaries of these two pieces of orphan works legislation.

One of the early reasons given by the Commission for adopting an EU directive on certain permitted uses of orphan works was to favour the development of attractive content offers like the Google Books Library Project.⁸⁷ However, the final text of the Orphan Works Directive excludes commercial undertakings from the range of its beneficiaries. As stated by Article 1(1) of the Directive, only publicly accessible libraries, educational establishments, museums, archives, film or audio heritage institutions and public-service broadcasting organisations may avail themselves of the Directive in order to achieve aims related to their public-interest missions. Although the Directive is without prejudice to agreements with commercial partners for the digitisation and making available to the public of orphan works, Recital 22 clarifies that such agreements should not impose any limitations to the beneficiaries of the Directive as regards their use of orphan works and should not grant their commercial partners any rights to use, or control the use of, such orphan works. New Section 116A CDPA does not impose any restrictions as to the potential beneficiaries of its implementing regulations. It is highly unlikely that commercial undertakings would be excluded, also because the UK scheme will allow commercial exploitation of orphan works.⁸⁸

II.5. Permitted uses

Another important point of difference between the Orphan Works Directive and the ERR Act concerns the breadth of the permitted uses of orphan works. Article 6 of the Directive allows

⁸⁷ V Reding, 'Europe's fast track to economic recovery', The Ludwig Erhard Lecture 2009, SPEECH/09/336, The Lisbon Council, 9 July 2009; V Reding – C McCreevy, 'It is time to turn over a new e-leaf on digital books and copyright', Joint Statement on the occasion of this week's Google Books meetings in Brussels, MEMO/09/376, 7 September 2009. See also Rosati, 'The Orphan Works Directive', *cit.*, 304-305.

⁸⁸ See below, *sub* §II.5.

the organisations referred to in Article 1(1) to reproduce and make available to the public orphan works by means of a specific exception or limitation to the rights envisaged in Articles 2 and 3 of the InfoSoc Directive, respectively, to be adopted by Member States. The fact that it shall be a specific exception and not two distinct exceptions to the rights of reproduction and making available to the public appears supported by use of the singular in the wording of Recital 20 to the Orphan Works Directive.⁸⁹

The ERR Act does not impose any particular restrictions as to the acts that can be carried out by potential users of orphan works, and indeed Section 116A CDPA expressly states that “[t]he regulations may provide for the granting of licences to do, or authorise the doing of, any act restricted by copyright that would otherwise require the consent of the missing owner.”⁹⁰ By applying and obtaining an ERR Act-type licence a prospective user of an orphan work would be able to use it in a much broader manner than under the piece of legislation that will transpose the Directive into UK law. Among other things, licences obtained under the ERR Act would permit the creation of derivative works. Taking the case of an orphan novel, a licensee would be potentially able to adapt it by making a film or a play, which he/she will be able to perform in public, communicate to the public, *etc.* However, the licensing body may be required to consider any potentially derogatory alterations to the work and, on grounds of potential breach of the missing rightholder’s moral rights, refuse authorisation.⁹¹

Another difference between the text of Section 116A CDPA and the Orphan Works Directive lies in the possibility of exploiting orphan works commercially. The Orphan Works Directive permits commercial exploitation of orphan works to a very limited extent. Article 6(2) of the Directive allows the organisations listed in Article 1(1) to generate revenues from the use of orphan works, but this shall be for the exclusive purpose of covering the costs of digitising orphan works and making them available to the public. The ERR Act is silent as regards the possibility of allowing commercial use. In their response to the 2011 Consultation⁹² a number of stakeholders expressed concern about the actual benefits of a scheme that would allow commercial uses of orphan works.⁹³ However, in its 2012 policy

⁸⁹ “The exception or limitation established by this Directive to permit the use of orphan works is without prejudice to the exceptions and limitations provided in Article 5 of Directive 2001/29/EC.”

⁹⁰ Emphasis added.

⁹¹ Intellectual Property Office, *Factsheet*, *cit.*, 2.

⁹² HM Government, *Government policy statement: Consultation on modernising copyright* (2012), available at tinyurl.com/7wl4nzl.

⁹³ HM Government, *Consultation on copyright. Summary of responses June 2012* (2012), available at tinyurl.com/ca8wcoc, 7. Amongst others, the Designs and Arts Copyright Society (DACS) held the view that “If preservation of works and access to previously unavailable works is at the heart of the proposal to stimulate

statement UK Government policy clarified that both commercial and non-commercial uses would be permitted, “*both to maximise the economic potential of proposals and because making a firm distinction between the two is difficult in practice.*”⁹⁴

II.6. Exception or licence?

As mentioned above, the Orphan Works Directive and the ERR Act envisage different mechanisms for allowing use of orphan works.⁹⁵ While the ERR Act has adopted a licensing system, Article 6 of the Directive requires Member States to provide for an exception or limitation to the rights of reproduction and making available to the public as per Articles 2 and 3 of the InfoSoc Directive respectively, to ensure that the beneficiaries of the Directive may use orphan works contained in their collections by acts of reproduction for the purposes of digitisation, making available, indexing, cataloguing, preservation or restoration, or by making them available to the public. In any case the new exception or limitation under Article 6 is without prejudice to the exceptions and limitations provided for in Article 5 of the InfoSoc Directive and may be applied only in certain special cases that do not conflict with the normal exploitation of the work or other protected subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder (Recital 20).

In some situations a potential user (to be intended as falling within the categories of beneficiaries indicated by the Directive) of an orphan work might also need a licence. One of such instances might be when uses potentially involve both the making available to the public and distribution of an orphan work over the internet. This might be the case of a UK library that decides to scan orphan books and make them available to the public for viewing and downloading. In such instances (as will be in most situations) it is likely that this institution would be advised to seek and obtain a licence prior to the use of the orphan works. Although

growth through the creation of new works and IP, non-commercial use should be sufficient for policy purposes. Any commercial use of orphans would not lead to the envisaged growth but to a substitution of works already available in the free market.” (DACS, *Response to the IPO consultation on copyright* (March 2012), available at tinyurl.com/oju24o9, 8). Getty Images argued that “*allowing an OW scheme to permit commercial use would not in itself lead to economic growth*” and that “*economic growth would more easily be achieved by encouraging direct licensing and embracing technology to put owners of images in touch with potential users, not by creating an alternative market place in which the resources involved in determining whether a work is a qualifying orphan work would generally vastly outweigh the costs of licensing an alternative image.*” (Getty Images, *Consultation on copyright. Submission of evidence by Getty Images* (21 March 2012), available at tinyurl.com/pbm63g, 5)

⁹⁴ HM Government, *Government policy statement*, *cit.*, 8. See also Impact Assessment BIS1063 ‘Orphan works’ (15 June 2012), available at tinyurl.com/powuja4, 3, and above, *sub §I*.

⁹⁵ For an overview of various solutions to permit uses of orphan works, see S van Gompel, ‘Unlocking the potential of pre-existing content: how to address the issues of orphan works in Europe?’ (2007) 38(6) IIC 669.

strictly speaking a licence would be only needed to cover the distribution of the works (downloading), this might be sought also for the making available of the work, so to reduce the risk of infringing third parties' rights. The end result might be that, even those subjects that might be deemed to benefit from the Orphan Works Directive as transposed into UK law would apply for a licence to use orphan works. A further benefit of applying for a licence would be the ability to use these works beyond the narrow boundaries of the Orphan Works Directive, *eg* for commercial reasons.

III. IS THE ERR ACT PERMISSION REALLY A LICENCE?

A question that arises from reading Section 116A CDPA is whether, despite its *nomen iuris*, this provision actually envisages a licensing mechanism.

Section 2(1) CDPA states that "*The owner of the copyright in a work of any description has the exclusive right to do the acts specified in Chapter II as the acts restricted by the copyright in a work of that description.*"⁹⁶ Section 16(2) CDPA (this being the first provision in Chapter II of the CDPA) provides that "*Copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorises another to do, any of the acts restricted by the copyright.*"⁹⁷ Hence, "*a licence is merely a permission to do an act that would otherwise be prohibited without the consent of the proprietor of the copyright.*"⁹⁸ The only person who can grant a licence is a person who is the owner of the copyright, or at least of some exclusive right.

Under section 116A, the Secretary of State is entitled to provide by regulations for the grant of licences in respect of orphan works. However, the Secretary of State owns no rights to these works, so it is difficult to see how he/she may be entitled to license their use. Could it be argued that, despite its legal description as a 'licence', what Section 116A CDPA provide is an exception to the exclusive rights in orphan works, or even a deprivation of relevant rightholders' own intellectual property?

III.1. An exception, rather than a licence?

⁹⁶ Emphasis added.

⁹⁷ Emphasis added.

⁹⁸ L Bently – B Sherman, *Intellectual property law* (3rd edn, OUP:2008), 264, citing *British Actors Film Co v Glover* [1918] 1 KB 299 and *Canon Kabushiki Kaisha v Green Cartridge Co* [1997] AC 728, 735.

Section 16(4) CDPA states that the provisions concerning the acts restricted by copyright are subject to the relevant copyright exceptions and provisions with respect to licensing. From this descends that, while ownership of copyright is subject to certain limitations, these are not such as to entitle unauthorised third parties to grant licences. Some relevant provisions in the CDPA support this proposition. So, for example, Section 121(4)⁹⁹ allows the Copyright Tribunal to order that “*the applicant is entitled to a licence*”. Use of the expression ‘is entitled to’ suggests that the Copyright Tribunal does not itself license the work. This is confirmed by Section 123(5) CDPA¹⁰⁰, which explains that, where the Tribunal has made an *order* under Section 121 CDPA and that order remains in force, the person in whose favour the order is made will be in the same position as regards infringement of copyright *as if* he had at all material times been the holder of a licence granted by the owner of the copyright in question on the terms specified in the order. Section 141 CDPA¹⁰¹ and Section 66 CDPA¹⁰² authorise the Secretary of State to allow (by means of a statutory licence and an order, respectively) third parties to use certain works and “*be treated as licensed*” by the owner of the copyright in the works. Use of this expression is also to be found in Section 68 CDPA, which entitles a person authorised to broadcast a work to “*be treated as licensed*” by the relevant rightholder to do or authorise the doing of certain restricted acts for the purposes of the broadcast. Section 190 CDPA¹⁰³ empowers to the Copyright Tribunal, on the application of a person wishing to make a copy of a recording of a performance, to “give consent *in a case where the identity or whereabouts of the person entitled to the reproduction right cannot be ascertained by reasonable inquiry*”¹⁰⁴ and that “[c]onsent given by the Tribunal has effect as consent of the person entitled to the reproduction right.”

The provisions cited above confirm that only the copyright owner is entitled to grant actual licences in respect of his/her work. Although any licence granted under Section 116A will “*have effect as if granted by the missing owner*” (Section 116A(5)), use of the wording ‘grant of licences’ in the first paragraph of the section appears to empower a subject who has no rights to orphan works, *ie* the Secretary of State, to “*make lawful that which would*

⁹⁹ Section 121 CDPA deals with applications for grants of licence in connection with licensing schemes.

¹⁰⁰ Section 123 CDPA concerns the effects of an order of the Copyright Tribunal in relation to a licensing scheme.

¹⁰¹ Section 141 CDPA concerns the power of the Secretary of State to issue a statutory licence to allow the making by or on behalf of an educational establishment, for the purposes of instruction, of reprographic copies of certain works..

¹⁰² Section 66 CDPA deals with the lending to the public of copies of certain works.

¹⁰³ See above, *sub* §II.1.

¹⁰⁴ Emphasis added.

otherwise be unlawful'.¹⁰⁵ It follows that, despite use of the term 'licence' the mechanism envisaged by Section 116A CDPA is necessarily that of an exception to copyright granted on both the Secretary of State, who becomes thus entitled to grant the 'licences', and the 'licensee', who may use the orphan work without infringing the copyright owner's exclusive rights. It is arguable that being treated as licensed implies merely a statutory immunity. The 'licensee' is not allowed to sub-license the work.¹⁰⁶ In addition, being the licences under Article 116A CDPA non-exclusive, unless expressly provided by the subject entitled to grant them, the licensee will not be able to bring proceedings for copyright infringement.¹⁰⁷

A question which arises is whether this mechanism is compliant with the CDPA and the InfoSoc Directive. The answer appears to be in the negative in both cases.

As regards the CDPA, it is worth recalling Section 50 CDPA. This provision, the introduction of which was found such as not to affect pre-existing law¹⁰⁸, concerns acts done under statutory authority and provides that "[w]here the doing of a particular act is specifically authorised by an Act of Parliament, whenever passed, then, unless the [CDPA] provides otherwise, the doing of that act does not infringe copyright." It descends that the ERR Act should "specifically"¹⁰⁹ authorise "the doing of a particular act", this being to grant licences in respect of orphan works.¹¹⁰ However, the Act does not do so, instead leaving this task to the Secretary of State by means of specific regulations. In light of Section 50 CDPA, it may be argued that the ERR Act has unduly made the licensing and use of orphan works a non-infringing activity. The legal and logical structure of Section 116A CDPA does in fact diverge from Section 50 CDPA. Section 116A does not authorise the particular act of licensing use of orphan works. The regulations enacted by the Secretary of State would do so, by also defining the notion of orphan works, designating the subjects entitled to grant the licences, and the possible uses of orphan works.

¹⁰⁵ K Garnett – G Davies – G Harbottle, *Copinger and Skone James on copyright*, Vol I (16th edn, Sweet&Maxwell:2011), 345.

¹⁰⁶ Intellectual Property Office, *The Enterprise and Regulatory Reform Act 2013 – Your photos and you* (2013), available at tinyurl.com/k7mved5, 2, and Intellectual Property Office, *Factsheet*, cit, 2.

¹⁰⁷ Section 101 CDPA states that: "A non-exclusive licensee may bring an action for infringement of copyright if – (a) the infringing act was directly connected to a prior licensed act of the licensee; and (b) the licence - (i) is in writing and is signed by or on behalf of the copyright owner; and (ii) expressly grants the non-exclusive licensee a right of action under this section."

¹⁰⁸ In this sense, H Laddie – P Prescott – M Vitoria, *The modern law of copyright and designs* (4th edn, LexisNexis:2011), Vol I, 903, and Garnett – Davies – Harbottle. *Copinger and Skone James on copyright*, cit, 620.

¹⁰⁹ As explained by Laddie – Prescott – Vitoria, *The modern law*, cit, 903, this is the key word of the provision. So, for instance, an Act of Parliament might authorise a company to broadcast music, but this would not entitle it to use copyright music without a licence from the rightholder.

¹¹⁰ The reference to a particular act being specifically authorised is designed to exclude cases where a general activity is authorised by Parliament: see Garnett – Davies – Harbottle. *Copinger and Skone James on copyright*, cit, 620.

The exception under Section 116A CDPA would also go well beyond Article 6 of the Orphan Works Directive. Moreover, it would do so in a manner that contravenes Member States' obligations under Article 5(5) of the InfoSoc Directive, as also recalled by Recital 20 to the Orphan Works Directive. Indeed, it would be difficult to see how the overarching UK orphan works scheme could be reconciled with the Berne three-step test as transposed into the InfoSoc Directive. In particular, the first condition, *ie* applicability of the exception only in certain special cases, is contradicted by the possibility for the Secretary of State to grant licences on a general basis and authorise the doing of any act restricted by copyright. As clarified by a WTO Panel in a 2000 decision concerning a provision of the US Copyright Act (the so called 'business exception' as per Section 110(5)), the term 'special' within Article 13 TRIPS¹¹¹, means that "*an exception or limitation must be limited in its field of application or exceptional in its scope. In other words, an exception or limitation should be narrow in quantitative as well as a qualitative sense.*"¹¹² This reading is based on both the ordinary meaning of the word 'special' and the spirit of the Berne Convention, which is to protect the rights of authors in their works.¹¹³ From reading Section 116A CDPA it appears that the only requirement for obtaining a 'licence' to use a work is that this qualifies as orphan. It is doubtful that such an exception 'in disguise' (which basically allows any use of any work considered orphan) has "*a narrow scope as well as an exceptional or distinctive objective.*"¹¹⁴

III.2. A deprivation of property?

What section 116A CDPA does is permit the Secretary of State to give licences, when formerly only the copyright holder could do so. The statute thus deprives copyright holders of their existing, vested property rights, that were previously their sole and exclusive rights. As a result, it is possible to conceive the licensing mechanism adopted by the ERR Act as an actual deprivation of intellectual property rights, contrary to Article 17 of the Charter of Fundamental Rights.¹¹⁵ Among other things, Article 17(1) of the Charter states that

¹¹¹ The three step test articulated in Article 9(2) of the Berne Convention was included in the 1994 TRIPS Agreement. However, a relevant difference is that, while the former restricts the test to limitations of the sole reproduction right, the latter extends to any acts restricted by copyright.

¹¹² Report of the WTO Panel on 15 June 2000, *United States – Section 110(5) of the US Copyright Act*, WT/DS160/R, [6.109].

¹¹³ S von Lewinski, *International copyright law and policy* (OUP:2008), 161.

¹¹⁴ Report of the WTO Panel on 15 June 2000, *United States, cit*, [6.109]. On this decision, see P Goldstein – B Hugenholtz, *International copyright. Principles, law, and practice* (3rd edn, OUP:2013), 377-378.

¹¹⁵ When adopting the Lisbon Reform Treaty, the EU granted the Charter the same legal value as the foundational treaties: see Article 6 TEU.

“[e]veryone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss”¹¹⁶ The CJEU has consistently held that

“while the right to property forms part of the general principles of EU law, it is not an absolute right and must be viewed in relation to its social function. Consequently, its exercise may be restricted, provided that those restrictions in fact correspond to objectives of general interest pursued by the European Union and do not constitute disproportionate and intolerable interference, impairing the very substance of the rights guaranteed”.¹¹⁷

Article 17(2) of the Charter also provides that “[i]ntellectual property shall be protected,” indicating that it falls within the right to property in article 17(1).¹¹⁸ Nothing in the wording of Article 17(2) or in CJEU case law suggests that this right is inviolable and must be absolutely protected.¹¹⁹ The use of one’s own intellectual property may be regulated by law in so far as it is necessary for the general interest. In any case, any restriction of the exclusive exploitation rights requires that fair compensation be paid in good time for loss of the property.¹²⁰

Article 345 TFEU leaves Member States free to decide their system of property ownership.¹²¹ One might argue that licensing mechanisms fall within the freedom of Member States to decide their own system of property and, as such, may not be scrutinised for their

¹¹⁶ The wording of Article 17(1) is based on that of Article 1 of the First Protocol to the 1950 European Convention of Human Rights and related case law of the European Court of Human Rights.

¹¹⁷ See Joined Cases C-379/08 *Raffinerie Mediterranée (ERG) SpA, Polimeri Europa SpA and Syndial SpA v Ministero dello Sviluppo economico and Others* and C-380/08 *ENI SpA v Ministero Ambiente e Tutela del Territorio e del Mare and Others* [2010] I-02007, [80], and the case law cited therein.

¹¹⁸ For a pre-Lisbon analysis of the advantages of having a fundamental rights discourse within intellectual property, see C Geiger, “‘Constitutionalising’ intellectual property law? The influence of fundamental rights on intellectual property in the European Union” (2006) 37(4) IIC 371.

¹¹⁹ Case C-70/10 *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)* [not yet published], [43]; in the same sense, Case C-360/10 *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV* [not yet published], [41]. For an explanation of the rationale of Article 17(2) see C Geiger, ‘Intellectual property shall be protected!? Article 17(2) of the Charter of Fundamental Rights of the European Union: a mysterious provision with an unclear scope’ (2009) 31(3) EIPR 113, 113.

¹²⁰ Opinion of Advocate General Trstenjak in Case C-277/10 *Martin Luksan v Petrus van der Let*, [not yet published], delivered on 6 September 2011, [133].

¹²¹ As explained by Chalmers – Davies – Monti, *European Union law, cit.*, 1022, Article 345 TFEU (formerly Article 295 EC Treaty) was inserted in the original Treaty in 1957 to allow Member States to nationalise industries.

compatibility with EU law. Even assuming that the mechanism envisaged by the ERR Act is that of a licence rather than an exception, this would not exclude that national measures through which Member States fulfil their obligations under EU law may be in fact examined in light of Article 17.¹²² The nature and scope of copyright exclusive exploitation rights have been indeed harmonised under EU law. The InfoSoc Directive provides that relevant rightholder has the exclusive right to authorise or prohibit the reproduction (Article 2), communication and making available to the public (Article 3), and distribution (Article 4) of his/her works/performances/phonograms/films/broadcasts. Member States had to transpose the Directive into their national law by 22 December 2002 and, as a result, cannot subsequently unduly restrict or impede the exercise of the rights granted at the EU level beyond the limitations of Article 5 of the InfoSoc Directive. This would contravene both their obligations under EU law and Article 17 of the Charter.

An application of these principles may be discerned in the recent decision of the Court of Justice of the European Union (CJEU) in *Luksan*.¹²³ This case related to an Austrian law which provided that all exclusive exploitation rights in a film vested in its producer and not also in its principal director, as provided instead under relevant EU directives. The CJEU ruled that national laws that deprive rightholders of exploitation rights that they have under EU law contravene Member States' obligations under EU law (in particular, the doctrine of EU pre-emption¹²⁴) and also constitute a breach of Article 17 of the Charter.¹²⁵ Although reliance on the latter has been criticised as being “*very thinly reasoned*”¹²⁶, the judgment in *Luksan* demonstrates that, among other things, proper allocation of exploitation rights granted under EU copyright is relevant to fundamental rights discourse within EU legal order.

As seen above, serious doubts subsist as regards the actual legitimisation of the Secretary of State to grant licences in respect of works to which he/she owns no rights, also in light of other relevant provisions in the CDPA. The InfoSoc Directive expressly provides that relevant rightholders shall have the exclusive right to authorise or prohibit the exploitation of their works. It may be argued that the particular mechanism of the ERR Act deprives missing

¹²² K Lenaerts, ‘Exploring the limits of the EU Charter of Fundamental Rights’ (2012) 8(3) ECL Review 375, 386, citing Case C-309/96 *Daniele Annibaldi v Sindaco del Comune di Guidonia and Presidente Regione Lazio* [1997] I-07493, and Case C-256/11 *Murat Dereci and Others v Bundesministerium für Inneres* [not yet published].

¹²³ Case C-277/10 *Martin Luksan v Petrus van der Let*, *cit.*

¹²⁴ See below, *sub* §IV.2.

¹²⁵ “[T]he principal director of a cinematographic work must be regarded as having lawfully acquired, under European Union law, the right to own the intellectual property in that work ... [T]he fact that national legislation denies him the exploitation rights at issue would be tantamount to depriving him of his lawfully acquired intellectual property right.” (Case C-277/10 *Martin Luksan v Petrus van der Let*, *cit.*, [69]-[70]).

¹²⁶ J Griffiths, ‘Constitutionalising or harmonising? The Court of Justice, the rights to property and European copyright law’ (2013) 38(1) EL Rev 65, 76.

rightholders of their rights under EU law by transferring them to the Secretary of State. Furthermore, no system of fair compensation is expressly envisaged by the Act. During the final stages of parliamentary discussion the very idea that reventant rightholders might wish to get paid was considered almost unrealistic.¹²⁷ The UK scheme will provide that the authorising body would hold the licence fee paid for the missing rightholder, should he/she eventually re-appear.¹²⁸ Overall, it is uncertain whether this would suffice as a form of fair compensation, given that the actual fee will be calculated in relation to the type of work and use¹²⁹, and not necessarily also with regard to “*the possible harm to rightholders*”, as instead provided by Recital 18 to the Directive.¹³⁰

IV. TWO QUESTIONS FOR TWO DIVERGING APPROACHES

The previous section attempted to determine the actual legal nature of the ‘licensing’ mechanism adopted by the ERR Act and concluded that this might be considered an exception ‘in disguise’ or even a deprivation of one’s own intellectual property. Even accepting that the ERR Act actually adopts a licensing approach, it is necessary to assess its compatibility with the Orphan Works Directive. As has been made clear above *sub* Part II, there are substantial differences between this piece of EU legislation and the powers conferred under the ERR Act. When both have been fully implemented, the UK will end up with two regimes of orphan works legislation that are the result of diverging approaches to the related issues. This situation prompts two further questions.

¹²⁷ During the third reading of the ERR Bill in the House of Lords, Lord Howarth of Newport stated that the UK needed “*a workable orphan works licensing scheme that will make this material accessible; and, contrary to suggestions made by some campaigners, rights-holders ought to be paid for the use of their intellectual property, whether they are identified in the process of digital search or appear subsequently, if they request that they should be paid-although we anticipate that nearly all of them will not make the request.*” (House of Lords, Enterprise and Regulatory Reform Bill, Third Reading, 20 March 2013: Column 650, available at tinyurl.com/ohlq6zx).

¹²⁸ Intellectual Property Office, *Factsheet, cit*, 1. Should the rightholder remain unidentified or unlocated after a certain number of years, current options on the table for unclaimed monies include using them to finance the authorising body, funding archiving and preservation in public archives, museums and libraries, or donations to creative industry training or benevolent funds.

¹²⁹ See below, *sub* §IV.5.

¹³⁰ Among other things, Recital 18 states: “*For the purposes of determining the possible level of fair compensation, due account should be taken, inter alia, of Member States' cultural promotion objectives, of the non-commercial nature of the use made by the organisations in question in order to achieve aims related to their public-interest missions, such as promoting learning and disseminating culture, and of the possible harm to rightholders.*”

The first question is whether the approach taken under the ERR Act is compatible with the Orphan Works Directive. This requires an examination of the relationship between supremacy of EU law and the related doctrine of EU pre-emption of national initiatives. To what extent is a Member State free to legislate independently in the area of orphan works, following EU intervention by means of a specific directive? By adopting its orphan works provision in the ERR Act, did the UK contravene the Orphan Works Directive and, by doing so, breached its express obligations under EU law?

The second issue is what role (if any) is left for the piece of legislation that will implement the Orphan Works Directive into UK law following adoption of the ERR Act. Addressing this issue would provide further clarity as to the scope of EU pre-emption as applied to orphan works.

IV.1. Orphan works, or the land of absolute freedom?

Both UK Government¹³¹ and independent technical advisors to IPO¹³² have held the view that the Orphan Works Directive leaves Member States free to choose their regulatory approach to orphan works. In particular, it has been submitted that

“Licensing systems are out of the scope of the Orphan Works Directive. The directive in fact states to be without prejudice to *existing – individual or collective – licensing systems of Member States*. The text of the directive specifies that the above-mentioned agreements are left to Member States *also when they are instrumental to mass-digitisation projects*.

Therefore, although no particular role is expressly envisaged by the proposed directive for collective societies, existing collective licensing systems and extended licensing collecting systems are not in conflict with the provisions of the directive.”¹³³

However, the text of the Directive does not appear to support uncontroversially this view. Firstly, the Directive states that it is not intended to interfere with “*national arrangements concerning the management of rights at national level*” (Article 1(5)), rather

¹³¹ Impact Assessment BIS1063 ‘Orphan works’, *cit*, 20.

¹³² Favale – Homberg – Kretschmer – Mendis – Secchi, *Copyright and the regulation of orphan works*, *cit*, 2 and 46. It should be noted that the authors of this paper were not asked to look into the relationship between the ERR Act and the Orphan Works Directive, but rather to carry out a comparative review of seven jurisdictions that have orphan works legislation and perform a rights clearance simulation.

¹³³ *Ibid*, 28 (footnote omitted, emphasis added).

than “*existing – individual or collective – licensing systems of Member States*”. Secondly, Member States are allowed to undertake new national initiatives, in so far as these are intended “*to address larger mass digitisation issues*” (Recital 4), not “*also when they are instrumental to mass-digitisation projects.*”

IV.2. EU directives and the doctrine of pre-emption

Determination of national legislative freedom in areas affected by EU directives requires consideration of the rather embryonic doctrine of EU pre-emption, which is (somehow) codified¹³⁴ in Article 2(1-2) Treaty on the Functioning of the European Union (TFEU)¹³⁵:

- “1. When the Treaties confer on the Union exclusive competence in a specific area, only the Union may legislate and adopt legally binding acts, the Member States being able to do so themselves only if so empowered by the Union or for the implementation of Union acts.
2. When the Treaties confer on the Union a competence shared with the Member States in a specific area, the Union and the Member States may legislate and adopt legally binding acts in that area. The Member States shall exercise their competence to the extent that the Union has not exercised its competence. The Member States shall again exercise their competence to the extent that the Union has decided to cease exercising its competence.”

Although no reference to this doctrine was made in the case law of the CJEU prior to the 2009 Opinion of Advocate General Colomer in the *Budweiser* case¹³⁶, since the early 1980s¹³⁷ debate around EU pre-emption has increasingly gained momentum, and has indeed developed in parallel to (what appears a clearer) discussion around supremacy of EU law. The assimilation of pre-emption problems to supremacy questions has been indicated as the main

¹³⁴ Chalmers – Davies – Monti, *European Union law*, cit, 206.

¹³⁵ Consolidated version of the Treaty on the Functioning of the European Union, OJ C 115, 47-199.

¹³⁶ Case C-478/07 *Budějovický Budvar, národní podnik v Rudolf Ammersin GmbH* [2009] I-07721, Opinion of Advocate General Ruiz-Jarabo Colomer delivered on 5 February 2009, in particular [93]: “*What we have here ultimately is the debate about Community ‘pre-emption’ of a measure and the situations in which the concurrent competences of the Member States in a particular field may have been displaced by the activity of the Community legislature.*”

¹³⁷ JHH Weiler, ‘Community, Member States and European integration: is the law relevant?’ (1982) 21 J Common Mkt Stud 39.

reason for the under-theorised nature of the pre-emption phenomenon.¹³⁸ Although related, the two doctrines remain in fact distinct:

“Supremacy denotes the superior hierarchical status of the Union legal *order* over the national legal *orders* and thus gives European law the *capacity* to preempt national law. The doctrine of pre-emption, on the other hand, denotes the *actual degree* to which national law will be set aside by European law.”¹³⁹

Drawing from US experience¹⁴⁰, three general categories of pre-emption have been identified in EU law.¹⁴¹ The first one is ‘field’ pre-emption, which applies where EU law has an exclusive competence in a certain area: national laws may be enacted only with the authorisation of EU law. The second category is ‘rule’ pre-emption, which is relevant to areas in which EU law and Member States share competences: national measures may be adopted but these will be set aside if they conflict with EU law. The third type is ‘obstacle’ pre-emption: Member States are free to legislate in a certain area, but must not adopt measures which obstruct the effectiveness of EU policies. In US constitutionalism, the latter has proved the most elusive to define, especially if it is taken to displace “*any state legislation which frustrates the full effectiveness of federal law*”.¹⁴²

Intellectual property is an area in which the EU has no exclusive internal competence. Also pursuant to Advocate General Colomer’s understanding of pre-emption, the enactment of a piece of EU legislation should be such as to prevent national law-making in the area concerned or result in the disapplication of pre-existent conflicting national laws.¹⁴³ In relation to copyright, it is thus arguable that, except where expressly allowed (*eg* protection of sub-original photographs as per Article 6 of the Term Directive¹⁴⁴), Member States might be unable to legislate in areas affected by EU directives or, at least, adopt measures which hinder the effectiveness of EU policies.¹⁴⁵

¹³⁸ R Schütze, *European constitutional law* (CUP:2012), 364.

¹³⁹ *Ibid* (emphasis in the original text).

¹⁴⁰ *Pacific Gas & Elec Co v State Energy Resources Conservation and Development Comm’n*, 461 US 190 (1983).

¹⁴¹ R Schütze, ‘Supremacy without pre-emption? The very slowly emergent doctrine of Community pre-emption’ (2006) 43 CML Rev 1023, 1038.

¹⁴² *Ibid*, referring to *Perez v Campbell*, 401 US 637 (1971), [652].

¹⁴³ A Arena, ‘The doctrine of Union preemption in the E.U. internal market: between *Sein* and *Sollen*’ (2011) 17 Colum J Eur L 477, 484.

¹⁴⁴ Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights (codified version), OJ L 372, 12-18.

¹⁴⁵ As recalled by Arena, ‘The doctrine of Union preemption’, cit, 530-531, the idea that directives may not not have any pre-emptive effects on national legislations due to their character of two-stage legislation has been

Following the adoption of the Lisbon Reform Treaty¹⁴⁶, supremacy of EU law might have become even more stringent in areas in which the EU and Member States share powers. Within the old EC legal order, the supremacy of EU law meant disapplication (not invalidation) of conflicting national laws. Current wording of Article 2(2) TFEU might imply an interpretation in the German federal sense, *ie* that Article 2(2) TFEU might be used as a platform to strengthen the normative potency of EU law and permit to void national legislation. The result would be that, to the extent that the EU exercises its shared powers, Member States would lose their very competence to legislate.¹⁴⁷

Although further clarification about application of the doctrine of pre-emption to the area of copyright might be provided when the CJEU decides the *Svensson* and *C More Entertainment* references¹⁴⁸, it is worth analysing the text of the Orphan Works Directive to determine, firstly, to what extent this piece of EU legislation leaves Member States free to provide their own orphan works legislative solutions and, secondly, whether the ERR Act might be held compatible with the Directive.

IV.3. What freedom does the Orphan Works Directive leave to Member States?

To determine what room is left for national initiatives in the area of orphan works it is necessary to refer to those recitals to and provisions in the Directive that are directly addressed at Member States.

rejected by both legislative practice and ECJ/CJEU case law. On this, *see also* Schütze, *European constitutional law, cit.*, 371-372. A practical – although implicit – application of these principles may be found in G Westkamp, ‘The new German publisher’s right – a violation of European law? A comment’ (2013) 3(3) QMJIP 241, with regard to new sections 87f-h of the German act on copyright and related rights.

¹⁴⁶ Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, signed at Lisbon, 13 December 2007, OJ C 306, 1-271.

¹⁴⁷ *See* R Schütze, ‘Lisbon and the federal order of competences: a prospective analysis’ (2008) 33(5) E L Rev 709, who however rejects this interpretation and concludes (716) that “*this prospect seems unlikely as there remains an important textual difference between Art. 72(1) of the German Constitution and Art. 2(2) TFEU. While under the German formulation States lose their very competence to the extent that the federation has exercised its power, Art. 2(2) only speaks of the Member States losing their right to exercise their shared competence. This subtle textual difference could safeguard the “old” legislative conception of the supremacy principle. Based on the idea of competence overlaps, the principle of supremacy may thus retain its softer structure and only require the disapplication of conflicting national law.*” (Emphasis in the original text)

¹⁴⁸ In both Case C-466/12 *Nils Svensson, Sten Sjögren, Madelaine Sahlman, Pia Gadd v Retriever Sverige AB* and Case C-279/13 *C More Entertainment AB v Linus Sandberg* one of the questions referred by the Swedish Svea hovrätt and Högsta domstolen, respectively, reads as follows: “*Is it possible for a Member State to give wider protection to authors' exclusive right by enabling 'communication to the public' to cover a greater range of acts than provided for in Article 3(1) of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society?*”

Recital 9 stresses the need for “*a common approach to determining the orphan work status and the permitted uses of orphan works*”.¹⁴⁹ To this end Recital 20 and Article 6 require Member States to provide for a specific exception or limitation in addition to those provided in Article 5 of the InfoSoc Directive. However, the Directive appears to leave some room for national initiatives. As also mentioned above, Recital 4 clarifies in fact that the Orphan Works Directive “*is without prejudice to specific solutions in the Member States to address larger mass digitisation issues, such as in the case of ‘out-of-commerce’ works.*”¹⁵⁰ Recital 24 and, along the same lines, Article 1(5) state that the Directive does not interfere with any provisions concerning the management of rights at the national level, such as extended collective licensing, legal presumptions of representation or transfer, collective management or similar arrangements or a combination of them, including for mass digitisation. Finally, Article 7 provides that the Directive shall be without prejudice to provisions relating to, among other things, the law of contract.

National initiatives concerning out-of-commerce works and the management of rights (including extended collective licensing) are expressly allowed under the Orphan Works Directive and (in relation to the latter) Recital 18 to the InfoSoc Directive. It is questionable whether the same conclusion may be also reached with regard to licensing mechanisms like that envisaged by Section 116A CDPA.

IV.4. Is the ERR Act compatible with the Orphan Works Directive?

As clarified by Recital 4, the Directive is without prejudice to specific national solutions to address larger mass digitisation issues. However, the UK orphan works scheme does not appear intended to facilitate mass digitisation initiatives and, it seems, neither does UK ECL system. The orphan works scheme envisaged by Section 116A CDPA is in fact “*about licensing of individual works*”¹⁵¹ and the “*ECL cannot be used for the mass licensing of orphan works because, until a diligent search has been conducted, it would not be known whether the works were orphan.*”¹⁵²

Furthermore, while the Directive expressly permits national initiatives as regards extended collective licensing, it may not appear to do the same in relation to orphan works

¹⁴⁹ Emphasis added.

¹⁵⁰ Emphasis added.

¹⁵¹ Intellectual Property Office, *The Enterprise and Regulatory Reform Act 2013 – Your photos and you*, cit.

¹⁵² Intellectual Property Office, *Factsheet*, cit, 1.

licensing schemes. Neither Recital 21 to nor Article 7 in the Commission's 2011 Proposal¹⁵³ have been transposed into the final text of the Directive adopted in late 2012. Recital 21 would have allowed "*Member States to permit the use of orphan works for purposes which go beyond the public interest missions of the organisations covered by this Directive.*" Subject to a series of safeguards, Article 7 would have permitted Member States to authorise the organisations referred to in Article 1(1) of the Proposal to use an orphan work for purposes other than those referred to in Article 6(2) as relating to their public interest missions, these being in particular preservation, restoration and the provision of cultural and educational access to works contained in their collections. To this end, Member States would have been free to choose the means for authorising such uses. The final text of the Directive acknowledges instead that diverging approaches to permitted uses of orphan works might hinder legal certainty in the internal market. Hence, it requires Member States to adopt a specific exception or limitation to the rights of reproduction and making available to the public.

From reading the Directive, it is indeed difficult to conclude that Recitals 4 and 24 and Article 1(5) are such as to allow Member States to legislate independently in the area of orphan works. Article 7 could be perhaps interpreted as supporting national initiatives by means of licensing solutions, in that it provides that the Directive shall be without prejudice to national provisions concerning the law of contract. However, it may be questionable whether the ERR Act is really about a licensing mechanism.¹⁵⁴ In addition, it seems more plausible that, in the context of the Directive, such freedom is to be seen mainly as relevant to the conclusion of public-private partnership agreements as per Article 6(4).¹⁵⁵

Even if the Directive permits national initiatives in the area of orphan works – the mechanism envisaged by the ERR Act is such as to supercede the Directive itself, thus impairing its overall effectiveness. As will be explained below, even for those who qualify as beneficiaries of the Orphan Works Directive, the advantages of an ERR Act-type licence seem so great that it is difficult to imagine anyone relying on the exception contained in the Directive, at least to use orphan works in the UK. Divergences between the Directive and the ERR Act could negatively impact on the legal certainty in the internal market, a goal which the Orphan Works Directive sought to achieve (Recital 9). Overall, it is conceivable that, by adopting the ERR Act, the UK might have impaired the overall objectives of EU policy action

¹⁵³ Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works, *cit.*

¹⁵⁴ See above, *sub* §III.

¹⁵⁵ Cf Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works, *cit.*, Article 6(3): "*This Directive is without prejudice to the freedom of contract of such organisations in the pursuit of their public interest missions.*"

in the area of orphan works. If this was the case, then it might be possible to conclude that the UK has contravened the principle of EU pre-emption ('rule' or 'obstacle' pre-emption in the categorisation provided above), also by rendering the implementation of the Orphan Works Directive into UK law an event of no significance. As a result, it would be possible to argue that the UK breached its obligations under Article 2(2) TFEU.

IV.5. Is there any point in implementing the Directive (besides having to do so?)

The narrow mechanism of the Directive and its resulting implementation will have to co-exist with the potentially overwhelming UK orphan works scheme. It is submitted that cultural institutions and similar undertakings that wish to use an orphan work in the UK will almost certainly prefer to rely on Section 116A CDPA implementing regulations, rather than the piece of legislation that will transpose the Orphan Works Directive in the UK.

The advantages of the ERR Act (possible widespread commercial exploitation of works and reduced risk of infringement) would overcome its downsides, including geographic limitations, potentially more rigorous diligent searches and having to pay a fee.

As regards the geographic limitations of the UK orphan work scheme, the statement according to which the orphan works scheme as resulting from the ERR Act is limited to the UK¹⁵⁶ may appear questionable. Although the UK scheme will allow use of orphan works within the sole territory of the UK, in contrast to the Directive the ERR Act does not prevent use of foreign (non-UK and even non-EU) orphan works. In the case of UK cultural institutions whose collections include numerous non-EU materials and artworks this might represent a distinct advantage.

Cultural institutions might feel discouraged from relying on the ERR Act scheme rather than the piece of legislation that transposes the Orphan Works Directive into UK law because of having to conduct a potentially more rigorous diligent search and pay a fee. As regards the requirement of diligence, having different standards for different categories of works merely acknowledges existing practices for locating rightholders and clearing the relevant rights.¹⁵⁷ In addition, the fact that the UK scheme would have more safeguards than the Orphan Works Directive might increase confidence that the licence thus obtained is less likely to be challenged. The benefits of greater legal certainty also supports the conclusion

¹⁵⁶ Intellectual Property Office, *Factsheet*, cit, 4.

¹⁵⁷ See JISC, *In from the Cold. An assessment of the scope of 'Orphan Works' and its impact on the delivery of services to the public* (2009), available at tinyurl.com/76udc86, 20.

that having to pay a fee would not discourage cultural institutions from applying for a licence. The IPO has clarified that licensing fees should be at the going rate, *ie* a rate appropriate to the type of work and type of use.¹⁵⁸ Currently, nothing prevents the terms on which a licensing body proposes to grant a licence from being referred to the Copyright Tribunal by the prospective licensee, as per Section 125 CDPA. In addition, following the introduction into UK copyright law of a new exception to the rights of reproduction and making available to the public for cultural institutions and similar undertakings, licensing fees for these uses of orphan works might be greatly reduced. Instead of relying on the exception resulting from the Orphan Works Directive, a cultural institution that wished to reproduce and make a number of orphan works available to the public might find having to pay a licence fee not particularly burdensome. This would be particularly the case if it wished to generate revenues that go beyond covering the costs of digitisation.

The main (if not only) advantage of relying on the Directive would be mutual recognition of the orphan work status of a work or phonogram across the EU, as per Article 4 of the Directive. This limited benefit would be insufficient to sustain the argument that the ERR Act does not violate the doctrine of EU pre-emption by rendering the implementation of the Directive an event of limited relevance and, as a result, having a negative impact on the effectiveness of EU policy (and action) in the area of orphan works. Mutual recognition of the orphan work status would not be enough to counterbalance the limited uses of orphan works allowed under the Directive. The overall ambitiousness of the objectives of the Orphan Works Directive was irremediably watered down during the various stages that led to its adoption, till the point of being non-existent. On a broader scale, implementation of the Orphan Works Directive in various Member States is both *likely* to pass unnoticed and *unlikely* to provide “*a legal framework to facilitate the digitisation and dissemination of works and other subject-matter which are protected by copyright or related rights and for which no rightholder is identified or for which the rightholder, even if identified, is not located*”, as is instead stated in Recital 3. This is because, at the end of the day, what the Directive allows is just digitising works (reproduction) and placing them online (making available to the public).

During the second reading of the ERR Act in the House of Lords Lord Stevenson of Balmacara pointed out that the major question was why what then was still the ERR Bill was going further than the Orphan Works Directive. The answer seemed to be to allow extension of possible uses from purely cultural to commercial purposes.¹⁵⁹ According to a factsheet

¹⁵⁸ UK Intellectual Property Office, *The Enterprise and Regulatory Reform Act 2013 – Your photos and you, cit*; Intellectual Property Office, *Factsheet, cit*, 1.

¹⁵⁹ House of Lords, Enterprise and Regulatory Reform Bill, Second Reading, 14 November 2012: Column 1525, available at tinyurl.com/q62j35j.

released by the UK Intellectual Property Office in June 2013, “[t]he Government views the UK orphan works scheme and excepted use under the EU Directive on orphan works as complementary.”¹⁶⁰ The truth is that the solution chosen by the UK supercedes the Directive and – despite its territorial limitations, potentially more rigorous diligent searches and having to pay a licence fee – will be more attractive to potential users than the piece of legislation that will transpose the Directive into UK law. By allowing broader exploitation of orphan works and even use of works first published or broadcast outside the EU, it appears doubtful that the ERR Act would be perceived as merely complementary to the Orphan Works Directive.

Following the adoption of the Orphan Works Directive, so far the only Member State that has legislated independently in the area of orphan works is the UK. In early 2012 (before the Directive was passed) France issued a law allowing the digital exploitation of unavailable books of the 20th century.¹⁶¹ Among other things, this law provides for the appointment of a central collecting society that is in charge of granting licences in respect of orphan books, setting licence fees, collecting and keeping the revenues of unlocated rightholders for ten years. Unlike the ERR Act and the Directive, the search for relevant rightholders is to be carried out by the appointed collecting society. Libraries are allowed to use works for free after ten years from their inclusion in an orphan work database managed by the Bibliothèque Nationale de France. In any case, libraries would only be able to show orphan books to their subscribers.¹⁶² This legislative initiative is mainly aimed at permitting use of out-of-commerce works. As such, it could be considered compatible with the Orphan Works Directive, as this expressly allows Member States “to address larger mass digitisation issues, such as in the case of so-called ‘out-of-commerce’ works” (Recital 4).¹⁶³

Adoption by other Member States of laws similar to the UK ERR Act would raise issues concerning the relationship between EU legal order, national initiatives, and effectiveness of EU policies (including the role of ‘obstacle’ pre-emption within EU copyright law), as well as the likely impact of these initiatives on the actual realisation of the objectives that the EU wished to pursue by adopting its directive on certain permitted uses of

¹⁶⁰ Intellectual Property Office, *Factsheet*, cit, 3.

¹⁶¹ Loi n° 2012-287 du 1er mars 2012 relative à l'exploitation numérique des livres indisponibles du XXe siècle, available at tinyurl.com/c8qtwhu.

¹⁶² See Favale – Homberg – Kretschmer – Mendis – Secchi, *Copyright and the regulation of orphan works*, cit, 29-30 ff.

¹⁶³ In the relevant Memorandum of Understanding out-of-commerce works are defined as works that are “no longer commercially available in customary channels of commerce, regardless of the existence of tangible copies of the work in libraries and among the public (including through second hand bookshops or antiquarian bookshops)” (Memorandum of Understanding, *Key principles on the digitisation and making available of out-of-commerce works*, Brussels, 20 September 2011, available at tinyurl.com/nwm8uab, 2).

orphan works. Overall, the main question would be: what room is actually left for a meaningful implementation of the Orphan Works Directive in EU Member States and – consequently – for the creation of an EU level playing field in relation to orphan works? If Member States were completely free to choose their regulatory approach to orphan works (as UK Government has claimed¹⁶⁴), then the answer would be “*none*”.

¹⁶⁴ Impact Assessment BIS1063 ‘Orphan works’, *cit.*, 20.