Law Council
OF AUSTRALIA

Business Law Section

9 October 2024

Mr Adrian Chippindale
Director, Copyright Law and Policy Section
Attorney-General's Department
3–5 National Circuit
BARTON ACT 2600

By email: copyright@ag.gov.au

Dear Mr Chippindale,

Orphan Works Scheme—Design Options

1. The Intellectual Property Committee (**IPC**) of the Law Council of Australia's Business Law Section is pleased to provide this submission in response to the *Orphan Works Scheme—Design Options* **Paper**.

Overarching questions—1—2

2. For the reasons discussed below, the IPC supports the introduction of a limited liability scheme for orphan works in a modified form of Option 1 (as summarised on page 6 of the Paper).

3. In particular, the IPC supports the introduction of a limited liability scheme for orphan works, subject to a reasonably diligent search, which applies to all types of copyright subject matter (whether published or unpublished) and whether the nature and purpose of the use is "commercial" or "non-commercial".

4. The IPC considers this modified limited liability scheme would best achieve the policy goal of facilitating publicly beneficial access to, and use of, genuinely orphaned materials by removing or reducing legal risks for good faith users without unreasonably prejudicing the interests of the owners of copyright in the material, including their ability to assert their rights if they come forward.

5. The IPC submits that the orphan works scheme should operate as a form of last resort or backstop available to a user where other options such as licences (whether voluntary or statutory) or defences are not available. If a user chooses to avail themselves of the option, the user's ability to rely on the scheme should depend on the user's compliance with the scheme so that, if the user fails to make out all the requirements—including, in particular, the conduct of a reasonably diligent search in all the circumstances of the case—the limitations on liability are not available.

6. We comment in more detail below on aspects of this overall position in response to questions in the Paper.

Unpublished materials

7. The IPC submits that the scheme must extend to unpublished materials. This is because, as the IPC understand matters, the difficulty in identifying any relevant right holder in unpublished materials such as photographs and manuscripts etc. held in archives and other institutions is the primary driver leading to the reform proposal.

8. The IPC considers that the issue of untraceable rights holders is not confined just to unpublished materials. Nonetheless, improving access to unpublished materials held in archival collections and the like is a key outcome of an orphan works scheme.

Materials including ICIP—Questions 3–6

9. The IPC recognises the need for, and supports appropriate protections for, Indigenous Cultural and Intellectual Property (**ICIP**).

10. The IPC notes that the Government has committed to introducing standalone legislation to protect First Nations traditional knowledge and cultural expressions.[1] We understand this is a very complex issue and is planned to involve multiple stages, with the first stage being the development of laws to address the harm caused by fake First Nations style art, merchandise and souvenirs.[2]

11. Given the complexity of the issues, and the recognition that the development of the laws implementing the policy be First Nations-led, the IPC submits that the proposed standalone ICIP legislation is the appropriate avenue to govern the issues raised by the need to recognise and respect ICIP.

12. If a separate regime were to be embodied in the Copyright Act as part of the Orphan Works Scheme, it would require very detailed development to address the issues properly and comprehensively. Further, the inclusion of requirements in the proposed Orphan Works Scheme would be unnecessarily duplicative. There are grave risks that what was implemented would be inconsistent with the regime applying through the standalone ICIP protection scheme. These risks are all the greater given the stage development proposed for the standalone ICIP legislation.

13. Accordingly, the IPC submits that the Orphan Works Scheme should address the copyright issues, and the standalone ICIP legislation is the appropriate avenue to deal comprehensively with the ICIP issues.

14. The IPC, therefore, does not support either Option 1 or Option 2 as proposed in the Summary of options on page 6 of the Paper. It would be appropriate to point out in the Explanatory Memorandum that proposed uses of orphan works would also need to comply with any requirements under laws protecting ICIP where the material to be used involved ICIP. Depending on timing, it may also be appropriate to include a note in the legislation by way of warning. However, we note that a user must comply with all other applicable laws and it is not usual to include warning notes to that effect.

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1 For example, Stand-alone legislation—Protecting Indigenous cultural and intellectual property rights.
2 For example, New stand-alone legislation to protect ICIP – Topics for discussion.

Interaction with statutory licences—Question 7

15. As a general principle, the IPC recognises that a user of copyright material should not have an obligation to pay for uses of copyright material that fall within the scope of a defence. Defences such as the fair dealing defences do not require payment as the conduct falling within the scope of the defence falls outside the scope of the copyright owner's exclusive rights. Statutory licences are not defences in this strict sense as they generally provide permission to use the copyright material but on terms of reasonable compensation. The Orphan Works Scheme under contemplation is something of a hybrid between these two models and is a real compromise of the right holder's exclusive rights.

16. The IPC submits, therefore, that statutory licensees should not be able to rely on the Orphan Works Scheme in relation to materials that fall within the scope of an applicable statutory licence. That is, the IPC considers that the limited liability scheme should embody Option 2 on page 6 of the Paper.

17. As noted above, the Orphan Works Scheme should be an option of last resort or backstop where other avenues such as licensing (whether voluntary or statutory) or defences are not available.

18. The Orphan Works Scheme represents a significant qualification on copyright owners' rights and should be recognised as such.

19. Further, it should also be recognised that the statutory licences generally implement collective licensing. Collective licensing schemes are justifiable partly because of the efficiencies and economies they provide for users but also partly for the efficiencies and economies accruing to rights holders. Just as each and every user does not have to seek out and negotiate with each and every right holder for each and every piece of copyright-protected material the user wishes to use, so each and every copyright owner does not have to seek out and negotiate with each and every user.

20. These efficiencies and economies would be seriously compromised if it became necessary for copyright owners to monitor and investigate individual users to ascertain whether uses by the users of materials such as copying were made under the statutory licence or claimed to be under the Orphan Works Scheme. Correspondingly, it is not clear to the IPC how individual users such as schools or other institutions would be able to enforce the different requirements of the Orphan Works Scheme and the statutory licences effectively. (The IPC accepts that under Option 1 proposed in the Paper each user would bear the onus of ensuring its compliance with the Orphan Works Scheme and, if it did not comply strictly, would be liable as an infringer.) In addition to the costs that compliance would impose on the user, however, allowing reliance on statutory licences imposes a very significant cost in detection and enforcement on copyright owners which defeats a substantial purpose and benefit of the statutory licence scheme.

21. The Paper raises a fairness concern about statutory licensees having to pay for the use of material that non-statutory licensees may not have to pay for. It should also be borne in mind, however, that statutory licensees are in a privileged position over other potential users who cannot rely on the statutory licence. The statutory licensees have the benefits of the statutory licence while other users must negotiate licences (at uncontrolled rates) or be liable for infringement.

Reasonably diligent search

22. The IPC strongly endorses a statutory obligation that a user may rely on the limitation on liability only where the user has undertaken a reasonably diligent search to identify and contact the rights holders in the material the user wishes to use. If the user does not undertake what is objectively in the circumstances a reasonably diligent search, the user should not be entitled to the limitation on liability and remain exposed to liability as an infringer with all that entails.

23. The IPC submits that what will constitute a reasonably diligent search in any particular case will depend on the particular circumstances of each case and will depend on a weighing of multiple considerations. To take two extremes by way of example only, what may suffice for a reasonably diligent search by a private individual who, say, posts something relating to their family history on something like Ancestry.com (and which, while publicly available is probably of most interest only to other family members) is very likely to be very different and less onerous than what should be expected of a multinational publisher contemplating a large print run of some publication which includes orphan works.

Reasonably diligent search—Questions 10–11

24. The IPC agrees that the two factors identified on page 15 of the Paper:

    - *identify the owner(s) of copyright in the material they would like to use, and*
    - *locate and contact each copyright owner of the material whose identity is known or reasonably suspected.*

    are the fundamental requirements and should be made mandatory.

25. In addition, where someone does claim to make use of copyright material on the basis of the Orphan Works Scheme, the user should include a notification on or closely associated with the use that reliance has been placed on the Orphan Works Scheme. If the identity of the author is known, that should be acknowledged. Also, if substantial editing was done to the material, the notification should indicate that.

26. We do not think there are or should be other mandatory requirements. In particular, the IPC does not support the inclusion of the Category 1 options in rows 2 to 6 in the Summary of options set out on page 14 of the Paper. As discussed below, however, there are a range of factors which will need to be weighed in assessing whether the efforts made qualify as 'reasonably diligent' and could usefully be set out in the legislation to provide guidance.

Reasonably diligent search—Questions 12–13

27. The IPC strongly supports the inclusion in the legislation implementing the Orphan Works Scheme the six discretionary factors identified on pages 15–16 of the Paper:

    - *the nature of the copyright material*
    - *the purpose and character of the use*
    - *the manner in which the search was conducted*
    - *the person who conducted the search*
    - *the technologies, databases and registers that were available for searches, and*

- *any relevant industry guidelines; and*
- *any other relevant circumstances.*

28. It should be made clear that the six factors listed in the Paper are not an exhaustive list and regard should be paid to all relevant circumstances. Hence, we have proposed a seventh item in the list above.

29. We further submit that it should be made clear in the Explanatory Memorandum that this is a multi-factorial assessment requiring a consideration of each factor and balancing it against the others so that in different cases involving different circumstances different weight may apply to different considerations. The factors set out above also have the benefit that the Courts are familiar with such analysis through experience with similar existing provisions in the Copyright Act such as the fair dealing defences.

30. So, a factor for consideration under "the nature of the copyright material" could be whether the material had already been published or was unpublished. Similarly, what may be required in the case of a simple drawing like that in *Kenrick v Lawrence* (1890) 25 QBD 99 may be very different than where what is sought to be used is a complex manuscript like a novel.

31. Correspondingly, the purpose and character of the use allows flexibility to assess the reasonableness of the steps taken in a search according to whether the user is a private individual, an institution or a global multinational. It allows tailoring according to whether the use might be fairly characterised as essentially private, for limited exposure (such as display in an exhibition), or potentially much greater exposure (such as through streaming or publication) and a range of other considerations.

Higher risk factors—Questions 14–16

32. The IPC does not support the further prescription of factors listed under Category 2 on pages 17–18.

33. Generally, we are concerned that there is a danger of overcomplicating matters and being too prescriptive by seeking to specifically set out in the legislation many of the matters raised in question 14 and later. As indicated above, whether the requirement of a reasonably diligent search has been satisfied will require a balancing of many considerations which may not always have the same significance depending on the circumstances of a particular case. The considerations are not so much "discretionary" as "evaluative" involving the exercise of judgment. Many of these matters could appropriately be addressed in examples in the Explanatory Memorandum.

34. The IPC considers that considerable caution needs to be exercised when using terms like commercial versus non-commercial. These are not clearly defined terms. For example, a proposed use is not "non-commercial" because it may be by a non-profit institution. For example, a public library or archive may include Orphan Works Scheme materials in a catalogue for sale in connection with an exhibition of the material. The facts that the proposed use is by a non-profit institution and that the use involves commercial exploitation are both relevant considerations that need to be weighed and evaluated.

35. Accordingly, the IPC submits that the type of use and the character of the user are both appropriately considered under the factor the "purpose and character of the use".

Industry guidelines—Questions 7 and 23

36. Industry guidelines may provide useful guidance in some circumstances.

37. For industry guidelines to have utility, however, it is important that they be developed with the participation of all relevant stakeholders—both rights holders and users. As experience with s 36(1A)(c) of the Copyright Act shows, such guidelines will be of no or little utility where they are promulgated unilaterally by one interest group only.

38. The IPC submits that it would be important to recognised that compliance with relevant industry guidelines, if any, should not necessarily be mandatory. There may be cases where someone has not followed an applicable industry guideline but nonetheless can demonstrate the exercise of reasonable due diligence. That may be the case, for example, where the user is a private individual undertaking some personal use where the industry's guidelines are more appropriately directed to the operations of industry professionals. Nonetheless, the IPC would expect that cases where relevant industry guidelines (if any) were not followed but still qualified as reasonably diligent searches would likely be rare or unusual.

39. The IPC is also concerned that the wide range of possible users—and also possible uses—would make it extremely difficult to mandate through regulations a "one size fits all" set of industry guidelines. An attempt to do so is very unlikely to be able to "cover the field" and consequently would preclude achievement of the policy goal underlying introduction of an Orphan Works Scheme.

40. Accordingly, the IPC does not support mandating industry guidelines through regulation. Rather, assuming they have been developed with appropriate input from all relevant stakeholders, compliance (or not) with a relevant industry guideline should be a factor to be weighed as part of the evaluative process in deciding whether a reasonably diligent search has been undertaken in a particular case.

Record of search—Questions 17–19

41. The IPC does not support stipulating a requirement to keep records of the diligent search or to do so for a fixed period.

42. We recognise that the keeping of records will often be a crucial factor in being able to demonstrate that a reasonably diligent search was conducted and that a failure to keep such records may well mean that a claimant cannot discharge their burden of proving what searches they undertook and the results obtained.

43. A retention period of 6 years appears arbitrary and, if predicated on the statute of limitations for bringing infringement proceedings, appears to be erroneously predicated on the assumption that there is a single infringing act.

44. The imposition of a record-keeping requirement may make some sense in the case of a large institution with appropriate resources and procedures.

45. As the proposed scheme is intended to apply across the broad spectrum of potential users, however, we are concerned that there may well be people such as individual users who do not have the means, resources or skills to comply with such an obligation, but who nonetheless may be able to satisfy the requirement of a reasonably diligent search in the particular circumstances of their own particular use and resources.

46. Further, the imposition of a record keeping requirement assumes that all persons who may wish to take advantage of the Orphan Works Scheme will seek legal advice in advance.

47. The IPC submits that the limitation on liability should be available to all those persons who can demonstrate that, in their particular circumstances and having regard to the nature of the proposed use, they undertook (unsuccessfully) a reasonably diligent search to locate and contact the relevant copyright owners.

Who can rely on a search—Questions 20–22

48. The IPC agrees that there may be circumstances where it is reasonable for a second user of orphan work materials to rely on the search efforts of a prior user. Whether it will be appropriate to do so in any particular case, however, will depend (as pointed out in the Paper) on a range of considerations. These considerations can include the characteristics of both the first and second user, the nature of the first and second uses, and the time of the proposed second use, amongst other things.

49. Accordingly, the IPC agrees that the responsibility and liability for each particular use of orphaned copyright material would remain with each particular user. A user wishing to rely on another person's previous search would need to satisfy themselves and be able to satisfy a copyright owner or a court, if necessary, that it was reasonable in their particular circumstances to do so.

50. On this approach, arrangements between the first and second user should not affect the liability of the second user to a copyright owner. If a second user is found liable for copyright infringement because the first user was found not to have undertaken a reasonably diligent search, the copyright owner should still be able to assert its rights against the second user and the second user would have recourse against the first user, if any, according to the arrangements, if any, between the two.

51. It would seem likely that a first user who gave permission to a second user to rely on the first user's search efforts would be found liable for authorising the infringement by the second user if the limitation on liability was not available because the first user did not undertake a reasonably diligent search. While the outcome in any particular case will depend on the particular facts, the IPC considers that outcome would be consistent with the application of the principles of liability for authorising infringing conduct—on the assumption that the use by the second user falls within the scope of the permission given by the first user. The IPC submits that it would not be appropriate to provide some immunity from liability for authorisation in such circumstances.

Notice of use—Question 23

52. As indicated in the section *Reasonably diligent search—Questions 10–11* above, the IPC does not support the introduction of some sort of public notice scheme over

and above an obligation on the user to include a notification on or closely associated with the use.

53. For example, if the publication were a book or other printed matter, an appropriate notice should be included with information like copyright notices and publication details.

54. A further obligation might make sense if there were a central public register. The IPC consider that such a register would not involve a contravention of the 'no formalities' rule under the Berne Convention as that rule relates to subsistence of copyright whereas this register would relate to users of copyright.

55. The introduction of a register would involve consideration of how the costs of establishing and maintaining such a register would be met. The IPC would be concerned that imposing the costs on users of the Orphan Works Scheme Register might be so significant as to deter people from taking advantage of the scheme.

56. The IPC is not clear what consequence should follow from failure to comply with a notice or registration requirement. If a register were implemented, it would follow that failure to register should preclude reliance. As we mentioned above, however, we are concerned that the costs of a registration scheme could deter people from taking advantage of the scheme and its benefits would be undermined.

57. A deliberate and knowing failure to comply with a notification requirement should also disentitle reliance on the scheme. The IPC is less clear whether that should also be the consequence of an inadvertent failure.

Commercial use—Questions 24–25

58. As indicated in *Higher risk factors—Questions 14–16* above, the IPC considers that "commercial" and "non-commercial" are ambiguous in this context. We consider that an attempt to define either or both, however, is likely to be too prescriptive. Rather, the IPC submits that the Court should take into account whether the use in question involves some form of payment or not.

59. The payment may involve just cost recovery or a profit or surplus over costs element. The payment may be direct or indirect—for example, through advertising such as pay-per-click (**PPC**) advertising links.

60. All other things being equal, the IPC anticipates a use involving payment would ordinarily require a higher degree of diligence in the search and contact efforts. That would need to be balanced, however, against other considerations. For example, it may be that the level of search required for a small-scale private individual's site supported by PPC links to cover hosting costs should not require as onerous a search as a large-scale institutional site with high volumes of traffic.

Remedies—past use—Questions 26–28

61. The IPC submits that, where a user successfully relies on the Orphan Works Scheme, there should be no monetary remedy for past use whether the use is "commercial" or "non-commercial".

62. It seems likely that a requirement to pay monetary compensation for past use if a copyright owner does emerge after the event will act as a serious disincentive to someone taking advantage of the Orphan Works Scheme.

63. This seems likely as the user will not know in advance what the likely cost of their use would be where the method of compensation is a reasonable royalty or an account of profits. In addition to the uncertainty about what the amount of the payment will be, determining the amount of an appropriate reasonable royalty, or an account of profits, can be highly contentious and a very expensive exercise.

64. These difficulties may be overcome to an extent by flat or capped fees. The IPC notes the reference in footnote 15 of the Paper to the fees fixed by the scheme in the United Kingdom. Given the potentially very wide range of uses under an Orphan Works Scheme, however, the IPC is very sceptical that it will be possible to set "standard" fees in any sensible or meaningful way that can appropriately cover all different types of uses.

65. Overall, the IPC considers that the option of no monetary compensation for past use better fits the policy rationale underlying the proposal.

Ongoing use of materials—Questions 29–33

66. The IPC submits that there may be three different types of situations which may require three different responses.

67. First, the user may have incurred "sunk costs" for "one time" exercises of the copyright before the right holder becomes known. An example may be where there have been one or more print runs of a certain number of hard-copy publications. If the right holder becomes known before all the existing copies have been sold out, the IPC submits it would be consistent with the rationale of the scheme for the user to be permitted to continue selling the publication until all stock on hand at the time the right holder came forward has been sold out. As with the position of "innocent" infringers under the Patents Act and the Designs Act, this immunity should also extend to cases where the user had taken "definite steps" to have the hard copies produced.[3]

68. A second situation may be where the user proposes to embark on a wholly new use after the rights holder becomes known. For example, the use had consisted of including the work in a catalogue for an exhibition or causing the material to be shown to the public attending the exhibition. After the copyright owner becomes known, however, the user wishes to include the work in a new book such as a monograph or to distribute copies of the material to the public.

69. In such cases, the IPC submits the proposed new use should no longer be able to attract the benefit of the Orphan Works Scheme and whether it can proceed (or not) should be subject to negotiation with the copyright owner in the ordinary course.

70. Between these two situations, there may be an intermediate category where the copyright is not exercised only once but is continuing. An example of such uses may be where material has been included in a film which is being streamed or made

[3] For example, the user may have contracted with a printer for another print run and be unable to cancel the contract without penalty. See *e.g.* Designs Act 2003 (Cth) s 71A.

available from a website. Or the film was made with the intention of cinema exhibition.

71. It would be possible to treat such continuing uses as "new" uses requiring the copyright owner's consent before they could continue.

72. Where the user has already incurred the costs on the basis of the planned exploitation, however, the IPC submits that it would be more appropriate that the user be permitted to continue with the pre-existing planned exploitation after the copyright owner becomes known but subject to payment of a reasonable royalty as agreed with the right holder or, in default, determined by the Copyright Tribunal.

73. Subject to the implementation in the courts of a forum for small copyright claims (discussed below), the IPC considers that the Copyright Tribunal is a more appropriate forum than the Federal courts, as the Copyright Tribunal has expertise in valuation and is not bound by the rules of evidence. So, it should be able to proceed more expeditiously and informally.

74. The IPC is conscious, however, that there are resourcing issues in the Copyright Tribunal and so, if this approach were taken, it would be necessary to ensure that the Copyright Tribunal has appropriate resources to deal with any additional workload that may result. In addition, it would also be highly desirable for the Copyright Tribunal to develop a framework for dealing with these issues if possible as a "fast track".

75. The IPC is aware that consideration has been given to the potential new forum for small copyright claims recently proposed under the Copyright Enforcement Review. If such a forum were implemented, it may be appropriate for these kinds of claims. The IPC, in response to that review, set out what some of the desirable features of such a forum might be in its submission dated 7 March 2023 at [4] to [10]. The use of that jurisdiction for orphan works claims would, in the IPC's view, merit consideration.

76. The IPC has set out above the main considerations that the Paper appears to raise in the limited time available to prepare these submissions. If you wish to discuss anything arising from or in addition to these matters, please contact the Chair of the Intellectual Property Committee, Richard Hoad, at rhoad@jonesday.com or on 03 9101 6825, or Committee member Angus Lang, on 02 9232 4609.

Yours sincerely



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Chair
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