

Testimony of

Ms. Maria Pallante-Hyun

April 6, 2006

Statement of Maria Pallante
Associate General Counsel and Director of Licensing
The Solomon R. Guggenheim Foundation (Guggenheim Museum)

Subcommittee on Courts, the Internet, and Intellectual Property
Committee on the Judiciary
United States Senate
April 6th, 2006

Re: "Orphan Works: Proposals for a Legislative Solution"

Chairman Hatch, Ranking Member Leahy and Members of the Subcommittee:

Thank you for the invitation to testify on orphan works, an issue of paramount importance to the museum community and our colleagues in the cultural and educational communities.

I am Associate General Counsel and Director of Licensing of the Solomon R. Guggenheim Foundation in New York, a nonprofit, education corporation which oversees five art institutions and is commonly and collectively referred to as the "Guggenheim Museum." Like most museums, the Guggenheim has both an educational and charitable purpose: to educate the public about art, architecture and other manifestations of visual culture; to collect, preserve and research art objects; and to make them accessible to scholars through our museums, educational programs and publications. The Guggenheim is a 501(c)(3) tax-exempt organization.

My comments are based on the statement I presented on March 8, 2006 before the Committee on the Judiciary, U.S. House of Representatives, Subcommittee on Courts, the Internet and Intellectual Property, which statement was endorsed by 18 organizations representing more than 145,000 cultural and educational institutions and more than 135,000 individual creators, artists, educators and scholars, including: the American Association of Law Libraries; the American Association of Museums; the American Council of Learned Societies; the American Historical Association; the American Library Association; the Art Libraries Society of North America; ARTstor; the Association of American Universities; the Association of Research Libraries; the College Art Association; Ithaka-Habors; JSTOR; the Medical Library Association; the Museum Computer Network; the National Humanities Alliance; the Society of American Archivists; the Special Libraries Association; and the Visual Resources Association.

General Support and Observations

My colleagues and I would like to applaud the Copyright Office for its tremendous contribution to the copyright community in producing the Report on Orphan Works. The staff's extensive work on this issue (including its collection and synthesis of public comments, facilitation of round-tables and informal meetings, legal study and written analysis) is commendable. Although the Report addresses many complex points --- including the need to include unpublished works, the need for a flexible search standard, and the need to distinguish between commercial and noncommercial uses, among others --- we have remarkably little disagreement with its findings.

The importance to our communities of crafting an amendment to facilitate uses of orphan works cannot be understated. The Copyright Office approach, if clarified and modified along the lines discussed below, will directly

affect the intellectual, historical and cultural life of all Americans. It will improve the work of individual artists, writers and filmmakers, as well as scholars, historians, librarians, archivists and curators, who regularly struggle to balance the rights of missing or unidentifiable copyright holders with the mission of making letters, manuscripts, photographs and other culturally significant material available to the public. We have discussed our view of legislation with the publishers and the Copyright Office, and we have participated for the past several weeks in the negotiations sponsored by Representatives Lamar Smith and Howard Berman. We are heartened that so many people recognize the problem of orphan works and want to craft a fair solution, and we are optimistic that the right solution will be forthcoming.

We do recognize that some owners, particularly photographers, face fundamental challenges relating to their ability to enforce copyrights and receive the full measure of protection accorded by the law. We are not unsympathetic. In fact, we recognize that individual copyright owners of all genres, from music to books to screen writers, have faced similar challenges since the inception of copyright law and that it is for this reason that collective associations, such as membership organizations, guilds, and unions are necessary. Nonetheless, we believe it is possible to address the legitimate needs of photographers without dismantling the broader, legislative relief that is so sorely needed by those of us in the user community.

We also understand that some stakeholders have expressed concern about the issue of state sovereign immunity. As we understand it, the issue relates to how state institutions' immunity to suit under the Eleventh Amendment would interact with the terms of orphan works legislation. Again, we believe a solution is achievable. In some statutory contexts, the duty to pay reasonable compensation to a late-emerging copyright owner may be better characterized as a voluntarily assumed obligation, in the nature of a compulsory license, than as an award of damages. The associations representing state higher education institutions have begun to work with us and the publishers to develop a reasonable solution to this concern, and we are confident one will be forthcoming.

In the final analysis, we believe that orphan works legislation should have one principal goal: it should provide certainty to users who wish to make cultural heritage more broadly available to the public. To accomplish this, the legislation must be fresh and innovative: it must move users forward --- move us away from risk-aversion and toward a sense of confidence. We believe this is possible and that it can be done without prejudicing the legitimate rights of bona fide copyright owners. Our specific recommendations appear below.

Specific Recommendations

1. Reasonable Compensation.

"Reasonable compensation" is a flexible formula that has not received extensive interpretation in case law and was thus not the first choice of museums (who wanted a clear exemption) or of many other users (who wanted an express cap on damages).

That said, we are willing to support the concept because we note that the Copyright Office provides some persuasive guidance in the Report. Specifically, the Office emphasizes that the "burden is on the copyright owner to demonstrate that his work had fair market value," and that it "is not enough for the copyright owner to simply assert the amount for which he would have licensed the work ex post; he must have evidence that he or similarly situated copyright owners have actually licensed similar uses for such amount." The Report draws on a useful and applicable opinion of Judge Leval in *Davis v. the Gap, Inc.*, and suggests a standard of reasonableness. We think that were this standard written into legislation, much of the uncertainty introduced by the concept of "reasonable compensation" would be eliminated.

For clarity's sake, we also urge the Committee to include detailed examples of what might constitute reasonable compensation in the legislative history of orphan works legislation, with particular emphasis on situations where the user is a nonprofit library, museum, archive or university, or an independent scholar, artist or small publisher. Among others things, such examples would demonstrate that it is often the practice of nonprofits and users of works for scholarly purposes to negotiate royalty-free usage. (Indeed, it is not uncommon for the decision to use a particular work to turn on whether it is available for free.) This fact was not lost on the Copyright Office. In its discussion of nonprofits, the Report states, "it should be clear that "reasonable compensation" may, in appropriate circumstances, be found to be zero or a royalty-free license..."

This point is of utmost importance to the user community, including libraries, archives and museums, as well as the individual working artist or hobbyist. It is critical not only in situations involving the use of a single orphan, but also in those characterized by large-scale use of multiple works. Large-scale use might include efforts by the Scripps Archives at the University of California to publish hundreds of personal photographs taken by people on oceanic voyages, or efforts by the United States Memorial Holocaust Museum to publish hundreds of personal letters sent from Nazi concentration camps. The Nation's great nonprofit archives, libraries and museums have in their possession vaults of culturally and historically important orphan works like these. As custodians, they care for these works for years at their own expense. In order for institutions to have the confidence to take these works out of storage and put them into the hands of the public, they need a clear indicator that establishing reasonable compensation is not only a responsibility of the copyright owner, but also that it is context-specific; that is, it is tied to specific industry practices.

In particular, legislative history must clarify that the proper calculation of reasonable compensation must encompass the standards of the specific industry in which the use of the orphan work is being made, as well as the market history of the particular work at issue. We do not believe that "reasonable compensation" should be based on the market history of a different, widely-licensed work in the same medium or on the price that was paid for another work that is being used in the same context as the orphan work. For example, reasonable compensation for 50 orphaned photographs from a private family photo album will differ drastically from the value of works by Ansel Adams, and if all of those photographs and Mr. Adam's works were published in the same book, there should be no suggestion that the licensing fee that might have been paid for the Ansel Adams works is relevant to "reasonable compensation" for the orphaned photographs.

2. Commercial Advantage

In its recommended statutory language, the Copyright Office has proposed a safe harbor from all monetary relief in certain limited instances where the use is made "without any purpose of direct or indirect commercial advantage" and the user "ceases the infringement expeditiously after receiving notice of the claim for infringement." We strongly endorse the intent to offer users complete immunity in certain, publicly-important circumstances. But, we have serious concerns with the phrase "without any purpose of direct or indirect commercial advantage" on which this immunity is conditioned. We therefore require assurances that it will not unduly exclude from the safe harbor the normal use of orphan works by this Nation's libraries, archives, museums, educators, historians, scholars and artists.

The phrase "without any purpose of direct or indirect commercial advantage" already appears several times in the Copyright Act -- somewhat inconsistently. We therefore think it is critical for Congress to provide some clear guidance on what it means in the orphan works context. In our view, the most analogous use of the phrase (and the one that has the most established case law) appears in section 110(4), where it is used to define the exemption for certain public performances of nondramatic literary or musical works. The House Report that accompanied section 110(4) makes clear that the general motivation of the user is the proper perspective in assessing whether the motive is to secure commercial advantage. Even a performance or exhibition where admission is charged may be exempt provided the amounts left "after deducting the reasonable costs of producing the performance" are used solely for bona fide educational, religious or charitable purposes. By contrast, courts have disqualified entities that are primarily commercial in purpose, even where the proceeds of the activity at issue may be for charitable purposes.

Museums, libraries, archives, educational institutions, nonprofit publishers, academics and independent scholars are expected to educate the public. They do this by studying and writing about artworks, objects and historical material and by publishing their scholarly findings. The publications departments of nonprofit institutions are staffed with underpaid writers and editors whose efforts are as critical to those institutions' nonprofit purposes as the exhibitions they display -- arguably more so because they reach many more people.

Nonprofits also sell publications for the same reason they charge admission fees: to defray the cost of operations and production. Nonprofit institutions in every state are under increasing pressure to be fiscally fit. We do not believe that these institutions should be disqualified from availing themselves of the certainty provided by the safe harbor if they both manage to achieve their missions and cover the expenses of their mission-fulfilling activities.

In its Report, the Copyright Office appears to disregard these circumstances, and characterizes the concept of "commercial advantage" in a way that appears inconsistent with existing provisions like section 110(4). The Report states that where a "museum essentially acts like a publisher and the infringement consists of selling books, DVDs or other materials," the conduct would not qualify for the exemption and would require the museum to pay reasonable compensation. If allowed to stand, this characterization could have far-reaching consequences for nonprofit institutions and individuals who engage in activity that is essentially scholarly, educational and not undertaken for a commercial motive.

In light of this, we seek reassurances of what we would have hoped was obvious: that the creation and sale of mission-related publications by a museum (or for that matter, the sale of copies by a film archive or journal subscriptions by a nonprofit organization such as a learned society) are uses undertaken "without any purpose of direct or indirect commercial advantage." This can be accomplished by removal of the clause "such as through the sale of copies or phonorecords of the infringed work" from section (b)(1)(A), and the inclusion of clear, illustrative examples of normal nonprofit activities, including mission-related publications and sales, in the legislative history of any amendment to the Copyright Act addressing orphan works.

3. Orphan Works Incorporated in Other Copyrighted Works.

Orphan works will often, perhaps most frequently, be used in other works. A photograph or letter may be used in a book or a documentary motion picture. A museum may include all types of copyrighted works in connection with an on-line exhibition or on a website demonstrating the breadth of its archives.

In these situations, a user may well decide to incorporate the orphan work into another work based on having determined that there was no identifiable rights owner and that the work has been orphaned. If the copyright owner should emerge and sue for infringement, an injunction prohibiting such uses after that decision is made - barring the distribution of the book or motion picture or the maintenance and availability of the website - would often be disastrous for the user and the public. For this reason, we support the Report's conclusion that the availability of injunctions against qualified users who incorporate orphan works into other works of authorship should be very limited. On the one hand, users here have relied on the availability of the orphan work. On the other hand, they have invested resources to create the larger work of which the orphan is one part. The only injunction that should be available is one that would require the payment of "reasonable compensation," as discussed above.

In delineating this limitation on injunctive relief, it also is important to avoid any restrictive characterization of what new work can qualify or of how the orphan work must be transformed or recast. It should be enough that the orphan work is adapted for or incorporated into another work that is itself copyrightable.

Conclusion

Mr. Chairman, in closing, I wish to thank you and the Subcommittee members for the opportunity to share my views on orphan works legislation. Your leadership on the issue is greatly appreciated by the museum community and our colleagues in the cultural and educational communities.

MARIA PALLANTE