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**CANADA’S “ORPHAN WORKS” REGIME:  
UNLOCATABLE COPYRIGHT OWNERS  
AND THE COPYRIGHT BOARD**

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## EXECUTIVE SUMMARY

Canada's *Copyright Act* includes a provision, section 77, that permits the Copyright Board of Canada to issue a licence to a user whose reasonable efforts to locate a copyright owner have been unsuccessful. This is Canada's "orphan works" regime. The issue of orphan works is one of increasing significance, and has received global attention. Though the Canadian regime is arguably one of the most advanced legislative responses to the problem of orphan works in force anywhere in the world, it has received little systematic analysis and its details are often misunderstood. This study is the first to thoroughly describe the legal and practical aspects of the Canadian orphan works regime. Its purpose is not to conduct a program evaluation nor a policy analysis, though the empirical findings presented may provide a foundation for future work of that nature.

Section 77 gives the Board jurisdiction to issue non-exclusive licences for the use, in Canada, of unlocatable owners' works, performances, sound recordings and communication signals that are published or fixed, as the case may be. Where it is unclear whether or not the orphan work is protected by copyright, or whether or not the proposed use requires a licence, the Board uses discretion to decide if a licence should or should not be issued. The Board has no jurisdiction to waive authors' moral rights when granting a licence to use an unlocatable owner's work, but has imposed terms and conditions on a licensee that encourage respect for moral rights. The Board may only issue a licence where the applicant has demonstrated that reasonable efforts under the circumstances have been made and failed to locate the copyright owner. The requisite efforts depend on contextual factors including the nature of the applicant, nature of the work, nature of the proposed use and more. The Board always retains residual discretion to deny an application, but must exercise this discretion reasonably. The Board must also act reasonably in setting the terms and conditions of a licence. Terms and conditions may address matters of territoriality, duration, retroactivity, price and payment, attribution, revocability and transferability. Of these, the terms of price and payment have been among the most controversial and difficult to deal with. The Board's practice is either to make the payment of royalties contingent on the copyright owner being located or to require licensees to pay royalties to a collective society representing owners similar to the unlocatable owner.

Since the regime was enacted, the Board has opened 411 files covering roughly 12,640 orphan works, though there have been far more inquiries than files opened. The number of licence applications received per year has more than quadrupled since 1990. About half of all applications have resulted in the issuance of a licence. Other applications were withdrawn or abandoned, often because the copyright owner was found with the help of the Board or a collective society. Very few applications have ever been formally rejected. About half of the decisions resulting in a licence took more than 8 weeks to decide, and about a quarter took up to 16 weeks. However, 12% of cases were decided within 2 weeks. There is no direct evidence that the processing time for applications has changed significantly, despite the Board's increasing workload. The median processing time for applications to use artistic, literary and musical works is nearly identical, though applications to use architectural plans have been processed much more quickly. In many cases delays are attributable to applicants' inactivity in response to Board requests, for example, to obtain additional information. The median number of days required to

process non-commercial applications was 47, compared to 63 for commercial applications. Businesses or commercial organizations accounted for 37% of all applications, followed by individuals at 31%, educators or educational institutions at 13%, government agencies at 11%, galleries and museums at 3%, and community and charitable groups making up the difference. Regardless of the nature of the applicants using the regime, 51% of applications were for commercial, as opposed to non-commercial, uses. Most applications pertain to literary works (39%), artistic works (22%) and musical works, performances and sound recordings (11%). Architectural plans were the subject of 19% of all applications, though these have ceased completely after 2007 when the Board published a change in policy toward such applications. The total value of royalties paid or payable for licences issued by the Board is under \$70,000. Of that figure, 30% was payable contingent on locating the owner, while 70% was payable immediately to a collective society.

The legal, empirical and statistical analyses demonstrate the need for further consideration of the policy issues concerning unlocatable copyright owners and orphan works in Canada. This report lays the groundwork for further study of the problem, comparisons with other jurisdictions, recommendations to improve the operation of the Canadian regime, and suggestions for legislative, administrative or practice-based responses to the issues.

## TABLE OF CONTENTS

I. Introduction .....	6
II. Legal Analysis.....	9
A. Relevant Legislation .....	9
B. The Board’s Jurisdiction .....	10
1. Works, Performances, Recordings and Signals .....	11
2. Published or Fixed .....	11
3. The Subsistence of Copyright.....	12
4. Reasonable Efforts .....	16
5. Residual Discretion to Grant/Deny Applications .....	19
C. Discretion to Set Licence Terms and Conditions.....	21
1. Territoriality .....	22
2. Duration .....	22
3. Interim Licences.....	23
4. Retroactivity.....	24
5. Price & Payment .....	24
6. Attribution/Marking.....	29
7. Revocation/Termination .....	30
8. Transferability.....	31
III. Empirical/Statistical Analysis.....	31
A. Number and Rate of Applications.....	31
B. Results of Applications .....	33
C. Application Processing Times.....	34
D. Nature of Applicants, Works and Proposed Uses .....	36
E. Value of Royalties for Licences Issued.....	38
IV. Conclusions.....	40

## I. Introduction

Copyright protection lasts for a long time – anywhere from 50 years to well over a century. There is no requirement that copyrights be registered. There is no comprehensive list of who owns particular rights. Consequently, situations arise where a copyright owner cannot be located. That may be because the owner is unknown or because there is no useful contact information available.

The term “orphan work” has been used in the United States and elsewhere “to describe the situation where the owner of a copyrighted work cannot be identified and located by someone who wishes to make use of the work in a manner that requires permission of the copyright owner”.<sup>1</sup> The Canadian *Copyright Act* refers to “owners who cannot be located”.<sup>2</sup> The expression “unlocatable owners” is commonly used as a loose translation of the French term « titulaire introuvable ». The phrase “orphan work” emphasizes the status of the work, while “unlocatable owner” focuses on the status of the owner. This study uses both terms, depending on the context.<sup>3</sup>

Potential users’ inability to find copyright owners has often created difficulties. A would-be user who has no right of fair dealing or other justification for not obtaining the copyright owner’s permission has few options. The user can proceed without permission, infringing copyright. This deprives the owner of compensation, puts the user at risk of civil and criminal liability and undermines respect for the law. The alternative is to refrain from using the work. This in turn deprives the owner of an opportunity to earn royalties, frustrates the user and could ultimately stifle economic or social progress.

Neither scenario is attractive. Indeed, orphan works are one of the key copyright issues where nearly all stakeholders would agree that a significant policy problem exists. This was demonstrated by the overwhelming response from virtually every interest group typically involved in copyright policy debates to an invitation from the United States Copyright Office for comments on the topic.<sup>4</sup> The Recording Industry Association of America, Lawrence Lessig, Google Inc., the Association of American Publishers and hundreds of other diverse stakeholders all agreed that the problem is real.<sup>5</sup> High-profile reports from the United States (the US Report),<sup>6</sup> United Kingdom (the BSAC Paper)<sup>7</sup> and

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<sup>1</sup> Registrar of Copyrights, *Report on Orphan Works* (Washington: United States Copyright Office, 2006) at 1 [US Report].

<sup>2</sup> *Copyright Act*, R.S.C. 1985, c. C-42, s. 77. <http://laws.justice.gc.ca/en/c-42/index.html>

<sup>3</sup> Sometimes a copyright owner who is not affiliated with a collective society is called an orphan, but this situation is not to be confused with the problem of unlocatable owners and orphan works.

<sup>4</sup> US Report, *supra* note 1 at 17.

<sup>5</sup> See US Report, *supra* note 1 at Appendix B. All comments are available online at: <http://www.copyright.gov/orphan/comments/index.html>.

<sup>6</sup> US Report, *supra* note 1.

<sup>7</sup> British Screen Advisory Council, *Copyright and Orphan Works: A Paper Prepared for the Gowers Review by the British Screen Advisory Council* (2006), <http://www.bsac.uk.com/reports/orphanworkspaper.pdf> [BSAC Paper].

Europe (the HLEG Reports and the IViR Report),<sup>8</sup> demonstrate that the issue of orphan works has gained global attention. The intention to disseminate on the Internet massive amounts of information which can then easily be traced by copyright owners, thereby giving rise to significant potential liability, has played no small part in fostering the interest that the issue now attracts.

However, stakeholders with different perspectives and policymakers in different jurisdictions do not all agree on how to deal with the problem. One option is to reduce the risks of using works without permission by limiting the remedies available to unlocatable copyright owners.<sup>9</sup> Another is an exemption from liability for infringement if a user's reasonable efforts have failed to locate the owner.<sup>10</sup> Yet another possibility being debated is to deem unlocatable owners to be represented by a collective society, through a system of extended collective licensing.<sup>11</sup> These proposals are in addition to a number of "soft law" alternatives, such as encouraging greater voluntary use of ownership registries and databases.<sup>12</sup>

Several countries, including India, Japan, South Korea, and the UK, have already devised limited methods of dealing with aspects of the orphan works issue. Arguably, Canada has implemented one of the most advanced attempts at addressing the problem anywhere in the world. Section 77 of the Canadian *Copyright Act* empowers the Copyright Board to issue a non-exclusive licence to an applicant whose reasonable efforts to locate a copyright owner have been unsuccessful. Though section 77 is relatively straightforward, the wide discretion conferred upon the Board has given rise to a number of legal and practical issues.

The Canadian regime is mentioned in all of the major foreign reports and in some academic commentary outside of Canada. Many people raise issues with the regime. The US Report noted that the Canadian system has been criticised as imposing an undue administrative burden, leading to lengthy delays and being of little benefit.<sup>13</sup> The IViR Report cites similar criticisms about the time and expense associated with applications

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<sup>8</sup> i2010: Digital Libraries High Level Expert Group – Copyright Subgroup, *Report on Digital Preservation, Orphan Works, and Out-of-Print Works: Selected Implementation Issues*, (2007), [http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/hleg/reports/copyright/copyright\\_subgroup\\_final\\_report\\_26508-clean171.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/hleg/reports/copyright/copyright_subgroup_final_report_26508-clean171.pdf) [2007 HLEG Report], and *Final Report on Digital Preservation, Orphan Works, and Out-of-Print Works* (2008), [http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/hleg/reports/copyright/copyright\\_subgroup\\_final\\_report\\_26508-clean171.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/hleg/reports/copyright/copyright_subgroup_final_report_26508-clean171.pdf) [2008 HLEG Report]; Hugenholtz, Bernt, et. al. *The Recasting of Copyright & Related Rights for the Knowledge Economy* (Amsterdam: Institute for Information Law, 2006), ch. 5, <[http://ec.europa.eu/internal\\_market/copyright/docs/studies/etd2005imd195recast\\_report\\_2006.pdf](http://ec.europa.eu/internal_market/copyright/docs/studies/etd2005imd195recast_report_2006.pdf)> [IViR Report].

<sup>9</sup> US Report, *supra* note 1 at 126.

<sup>10</sup> BSAC Paper, *supra* note 7 at 37-8.

<sup>11</sup> See Daniel Gervais, *Application of An Extended Collective Licensing Regime in Canada: Principles and Issues Related to Implementation* (Ottawa: Department of Canadian Heritage, 2003) at 31.

<sup>12</sup> 2007 HLEG Report, *supra* note 8; US Report, *supra* note 1 at 70-71, 106.

<sup>13</sup> US Report, *supra* note 1 at 83. See also Center for the Study of the Public Domain, Duke Law School. "Orphan Works Analysis and Proposal" Submission to the Copyright Office, March 2005.

made to the Board.<sup>14</sup> The BSAC Paper partially blames the narrow national scope of the Canadian regime and its inapplicability to unpublished works for its limited effectiveness.<sup>15</sup> Foreign critics also disliked the fact that the Board often requires applicants to pay royalties to a collective society for using orphan works; most of those who mentioned this practice to the US Copyright Office “strongly disfavoured the Canadian approach”.<sup>16</sup> Others point out positive aspects of the section 77 system, acknowledging that Board involvement helps control the quality of search efforts, and that involving a public authority is a potentially valuable solution.<sup>17</sup>

Many of those who have looked at the Canadian regime misunderstand or oversimplify Canadian law and practice.<sup>18</sup> This is understandable given the sparse literature on the topic. The focus on orphan works issues is intense and the Canadian regime is distinct, yet the practices and procedures of the Copyright Board in this area have been the subject of little analysis. The lack of attention paid to the Canadian system is consistent with the US Copyright Office’s observation that, in general, “very little systematic research of specific problems related to unidentifiable and unlocatable copyright owners had been undertaken.”<sup>19</sup>

So, though others are looking at the Canadian experience for guidance, there has been no thorough legal, economic or public policy analysis of the orphan works issue in Canada or the way in which Parliament and the Copyright Board have dealt with it. It is mentioned briefly in some Canadian textbooks,<sup>20</sup> but otherwise there is no scholarly literature on point. A 2002 Government of Canada report on the provisions and operation of the *Copyright Act* identified potential issues with the section 77 licensing system without putting the matter on the reform agenda.<sup>21</sup> Jurisprudence considering this matter

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<sup>14</sup> IViR Report, *supra* note 8 at 187.

<sup>15</sup> BSAC Paper, *supra* note 7 at 11.

<sup>16</sup> US Report, *supra* note 1 at 114.

<sup>17</sup> IViR Report, *supra* note 8 at 187; 2007 HLEG Report, *supra* note 8 at 9.

<sup>18</sup> See, e.g. Benjamin Hickman, “Can You Find A Home For This ‘Orphan’ Copyright Work? A Statutory Solution For Copyright-Protected Works Whose Owners Cannot Be Located” (2006) 57 Syracuse L. Rev. 123 at 154-55; Dennis Khong, “Orphan Works, Abandonware and the Missing Market for Copyrighted Goods” (2006) 15(1) Int’l J.L. & I.T.; Pamela Brannon, “Reforming Copyright To Foster Innovation: Providing Access To Orphaned Works” (2007) 14 J. Intell. Prop. L. 145; Ian McDonald, “Some thoughts on orphan works” (2006) 24(3) Copyright Reporter 157; Jerry Brito and Bridget Dooling “An Orphan Works Affirmative Defense to Copyright Infringement Actions,” (2005) 12 Mich. Telecomm. Tech. L. Rev. 75 at 105-107.

<sup>19</sup> US Report, *supra* note 1 at 21.

<sup>20</sup> See e.g. David Vaver, *Copyright Law* (Toronto: Irwin Law, 2000) at 226; Sunny Handa, *Copyright Law in Canada*, (Markham: Butterworths, 2002) at 141, 354; Normand Tamaro, *Annotated Copyright Act* (Toronto: Thompson Canada, 2004) at 756-762; Laurent Carrière, “Unlocatable Copyright Owners: Some Comments On The Licensing Scheme Of Section 77 Of The Canadian Copyright Act” (1998) in Robic-Léger’s *Canadian Copyright Act Annotated* (Toronto, Carswell, 1993).

<sup>21</sup> “There are concerns that the *in absentia* licensing process for unlocatable copyright owners has overburdened the resources of the Copyright Board, and that improvements to the process are needed. At the same time, *in absentia* licensing applies only to published works or published performances and sound recordings. Consideration could be given to whether the *in absentia* license should be extended to unpublished material. Unpublished material, especially archival material, may also be of public interest.” Canada. *Supporting Culture and Innovation: Report on the Provisions and Operation of the Copyright Act* (Ottawa: Industry Canada, 2002) at pp. 32, 33.

is non-existent, other than the Board's own decisions, which, thus far, have been made without the benefit of systematic study or comparative analysis.

This study marks the beginning of an analysis of the orphan works problem in Canada. The first step has been to identify, review and analyse every application made to the Board pursuant to section 77, and to catalogue these into an organized database of files. A statistical analysis of the data was undertaken to produce the findings described in this report.

The principal purpose of the report that follows is to describe the process and results of the systematic review of the Board's decisions. In that context, the report begins with a short legal analysis of the statutory scheme governing the issuance of licences when the copyright owner cannot be located. The legal analysis is complemented by reference to Board decisions relating to particular issues that have arisen thus far. The second part of the report contains the first detailed empirical review and statistical analysis of all Board files dealing with applications made pursuant to section 77.

This report does not explore or recommend possible legislative reforms, nor does it attempt to address or evaluate alternative solutions to the orphan works issue. It does, however, identify broader issues requiring attention, and it hopefully establishes a solid foundation on which to engage in further research. Specifically, this study should lay the groundwork for a comparative analysis of the Canadian system with approaches that already exist or are being considered in other jurisdictions, an evaluation of the underlying public policy issues, and a discussion of possible legislative or regulatory responses to the problem.

## **II. Legal Analysis**

No court has yet addressed legal issues relating specifically to the Canadian orphan works licensing system. As such, a legal analysis must be based upon the application of relevant principles of copyright and administrative law, as well as general rules of statutory interpretation. In addition, the Copyright Board has over time developed standard practices based on its own interpretation of the regime. Those practices are reflected in a growing body of decisions, which serve as informal precedents in adjudicating applications before the Board.

### **A. Relevant Legislation**

Section 77 of the *Copyright Act* allows anyone who seeks permission to use a copyright-protected work but cannot locate the copyright owner to apply to the Copyright Board of Canada for a licence to use that work. Section 77 of the Act reads:

<p><b>77.</b> (1) Where, on application to the Board by a person who wishes to obtain a licence to use</p> <ul style="list-style-type: none"> <li>(a) a published work,</li> <li>(b) a fixation of a performer’s performance,</li> <li>(c) a published sound recording, or</li> <li>(d) a fixation of a communication signal</li> </ul> <p>in which copyright subsists, the Board is satisfied that the applicant has made reasonable efforts to locate the owner of the copyright and that the owner cannot be located, the Board may issue to the applicant a licence to do an act mentioned in section 3, 15, 18 or 21, as the case may be.</p> <p>(2) A licence issued under subsection (1) is non-exclusive and is subject to such terms and conditions as the Board may establish.</p> <p>(3) The owner of a copyright may, not later than five years after the expiration of a licence issued pursuant to subsection (1) in respect of the copyright, collect the royalties fixed in the licence or, in default of their payment, commence an action to recover them in a court of competent jurisdiction.</p> <p>(4) The Copyright Board may make regulations governing the issuance of licences under subsection (1).</p>	<p><b>77.</b> (1) La Commission peut, à la demande de tout intéressé, délivrer une licence autorisant l’accomplissement de tout acte mentionné à l’article 3 à l’égard d’une œuvre publiée ou aux articles 15, 18 ou 21 à l’égard, respectivement, d’une fixation d’une prestation, d’un enregistrement sonore publié ou d’une fixation d’un signal de communication si elle estime que le titulaire du droit d’auteur est introuvable et que l’intéressé a fait son possible, dans les circonstances, pour le retrouver.</p> <p>(2) La licence, qui n’est pas exclusive, est délivrée, selon les modalités établies par la Commission.</p> <p>(3) Le titulaire peut percevoir les redevances fixées pour la licence, et éventuellement en poursuivre le recouvrement en justice, jusqu’à cinq ans après l’expiration de la licence.</p> <p>(4) La Commission peut, par règlement, régir l’attribution des licences visées au paragraphe (1).</p>
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## B. The Board’s Jurisdiction

Whereas orphan works systems in some other countries, such as Japan<sup>22</sup> and Korea,<sup>23</sup> allow government bodies to issue licences, the Canadian system grants this power to an administrative tribunal. Subsection 77(1) confers jurisdiction on the Board to issue a licence to an applicant only in certain circumstances. The language of the statute implies that there are limits on the Board’s jurisdiction. Where certain conditions are not met, the Board has no jurisdiction to issue a licence. Even if the applicable conditions are met, however, the word “may” [« peut »] suggests that the Board still retains a residual discretion to grant or deny the application. Several relevant points are discussed below.

<sup>22</sup> *Copyright Law of Japan*, <[http://www.cric.or.jp/cric\\_e/clj/clj.html](http://www.cric.or.jp/cric_e/clj/clj.html)>, art. 67.

<sup>23</sup> *Copyright Act of Korea*, <[http://eng.copyright.or.kr/law\\_01\\_01.html](http://eng.copyright.or.kr/law_01_01.html)>, s. 47.

## ***1. Works, Performances, Recordings and Signals***

When section 77 was enacted in 1988, the Copyright Board was granted authority to issue licences for acts provided for under section 3. Section 3 grants the copyright owner the right to produce, reproduce, perform, translate, convert, record, adapt, telecommunicate and exhibit a work in public.<sup>24</sup> In respect of conventional works, section 77 of the Canadian *Act* could apply to every literary, dramatic, musical and artistic work. That includes “every original production in the literary, scientific or artistic domain, whatever may be the mode or form of its expression”.<sup>25</sup> Indeed, the Board has dealt with many applications for the use of architectural plans, photographs, cinematographic and other types of works.

In 1997, the Board’s jurisdiction was broadened so that it now may also issue licences for the acts mentioned in sections 15, 18 and 21.<sup>26</sup> Those sections deal with the rights of performers, sound recording makers and broadcasters respectively. Consequently, the Canadian orphan works regime applies not only to works, strictly defined, but also to performances, sound recordings and communication signals.

This makes the Canadian system much broader than those in some other countries, such as the UK for example, which permit licensing only in respect of orphan performances.<sup>27</sup> The BSAC Paper notes that the British provision is not useful, in part because it applies only to performers’ reproduction but not distribution rights. Apparently, it has been used only twice.<sup>28</sup>

## ***2. Published or Fixed***

Any material that is the subject of an application under section 77 must have been published or fixed. The statute requires that orphan works and sound recordings be “published”. For performances and communication signals, the statute requires “fixation”.

Some countries, such as India for example, have established procedures to deal with unpublished orphan works only.<sup>29</sup> The US Report and the BSAC Paper both recommended that a potential response to the orphan works issue include solutions for published and unpublished works.<sup>30</sup> In the US, for example, the Copyright Office felt that drawing distinctions would perpetuate uncertainty rather than ameliorate it. Determining whether a work is published or unpublished can be difficult.<sup>31</sup>

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<sup>24</sup> *Copyright Act*, *supra* note 2, s. 3(1).

<sup>25</sup> *Copyright Act*, *supra* note 2, s. 2.

<sup>26</sup> *Copyright Act*, *supra* note 2, s. 77(1).

<sup>27</sup> *Copyright, Patent and Designs Act 1988* (United Kingdom), <[http://www.opsi.gov.uk/acts/acts1988/Ukpga\\_19880048\\_en\\_12.htm#mdiv190](http://www.opsi.gov.uk/acts/acts1988/Ukpga_19880048_en_12.htm#mdiv190)>, s. 190.

<sup>28</sup> BSAC Paper, *supra* note 7 at 8.

<sup>29</sup> *Copyright Act 1957* (India), <<http://copyright.gov.in/Documents/CopyrightRules1957.pdf>>, s. 31A.

<sup>30</sup> US Report, *supra* note 1 at 100-102; BSAC Paper, *supra* note 7 at 22.

<sup>31</sup> US Report, *supra* note 1 at 100.

It is arguable that allowing licences in respect of unpublished works could violate the privacy rights of the unlocatable owner. Indeed, some owners have been known to make themselves unlocatable because they highly value their privacy. Whatever the justification, in Canada, the Board has no jurisdiction to issue a licence absent publication or fixation.

Section 2.2 of the *Act* defines what constitutes publication. The overarching guideline is that a published work is one that has been made available to the public. But publication can occur in a variety of different ways, depending on the nature of the material being published. For example, an architectural work (a building or model of a building) is published once constructed.<sup>32</sup> When an artistic work is incorporated into an architectural work, it becomes a published work.<sup>33</sup> An architectural work or sculpture is not, however, published merely by issuing a photograph or engraving of that work.<sup>34</sup>

Publication must also occur with the consent of the copyright owner. Consent might be implied, as in the case of a novel, an article or photograph in a newspaper, or a letter to the editor. But that is not always possible. There have been instances where the Board has refused to issue a licence for the use of a photograph that had been published in a book where it appeared probable that the photographer's consent had not been obtained.<sup>35</sup>

Fixation is not the same as publication. A fixed performance or communication signal may never have been made available to the public. Since section 77 makes a distinction between the two requirements, it seems that a performance or communication signal can be the subject of a section 77 licence even if not published. Furthermore, since there is no requirement that the fixation occur with the consent of the copyright owner, an argument could be made that a bootleg of a performance can be the subject of a section 77 application.

### **3. *The Subsistence of Copyright***

#### **a) Economic Rights**

The English version of the *Act* states that the Board may issue a licence for a work, performance, recording or signal in which copyright subsists. By implication, the Board has no jurisdiction to issue a licence for the use of material not protected by copyright. There are several instances where this limitation might be relevant.

Section 77 does not apply to unoriginal works. To be copyright-protected, an author must exercise "skill and judgment". That means: "the use of one's knowledge, developed aptitude or practised ability in producing the work" and "the use of one's capacity for

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<sup>32</sup> *Copyright Act*, *supra* note 2, s. 2.2(1)(a)(ii).

<sup>33</sup> *Copyright Act*, *supra* note 2, s. 2.2(1)(a)(iii).

<sup>34</sup> *Copyright Act*, *supra* note 2, s. 2.2(2).

<sup>35</sup> *Re Canadian Centre for Architecture* (17 January 2005), 2004-UO/TI-32, online: <<http://www.cb-cda.gc.ca/unlocatable/other/3-b.pdf>>; *Re Office of the Lieutenant Governor of Québec* (3 March 2005), 2004-UO/TI-37, online: <<http://www.cb-cda.gc.ca/unlocatable/other/4-b.pdf>>. See also file 1995-UO/TI-2 (application abandoned).

discernment or ability to form an opinion or evaluation by comparing different possible options in producing the work”.<sup>36</sup> Works that do not meet the threshold for copyright protection are not protected by copyright and therefore, are implicitly excluded from the orphan works regime. The issue of originality may arise more frequently in an environment of digital technology than it has in the past.

Similarly, the Board cannot issue a licence for the use of works for which copyright protection has expired. The rules that govern the term of copyright protection vary depending on the nature of the author and/or work in question. The general rule in Canada is that copyright in a work subsists for 50 years following the year of the author’s death.<sup>37</sup> Performances, sound recordings and communication signals are protected for 50 years following the year during which a performance is performed or fixed in a sound recording, during which a recording is fixed or during which the communication signal is broadcast.<sup>38</sup> There are also special provisions governing photographs and cinematographic works,<sup>39</sup> posthumously published works,<sup>40</sup> works of joint authorship<sup>41</sup> and anonymous or pseudonymous works<sup>42</sup> that may be relevant to the Board’s jurisdiction. In short, once an orphan work enters the public domain, the Board loses the power to issue a licence under section 77.

The requirement that copyright subsist in material that may be the subject of a section 77 application is a sensible, indeed self-evident, limitation on the Board’s jurisdiction. Where an orphan work is unoriginal or in the public domain, it can be used without anyone’s permission. An unoriginal work has no copyright and public domain materials have no owner. A licence from the Board would be conceptually incompatible with such circumstances. Moreover, it could be a waste of scarce Board resources to consider applications where no licence is necessary.

On the other hand, some may argue that there are compelling arguments to suggest that the Board ought to consider issuing licences in circumstances where it is not possible to determine with certainty whether copyright protection exists, despite the risk that it lacks jurisdiction to do so. Issues of originality are contextual and sometimes ambiguous. Similarly, it will often be difficult for an applicant to know whether or not a work is in the public domain. If both the identity of the author and the date of her death are known, it is possible to deduce when the work will join the public domain. If not – a common problem with orphan works – it may be impossible to identify the period during which copyright subsisted or subsists. In such cases, too strict an interpretation of the Board’s jurisdiction could exacerbate the problem that the orphan works regime was designed to address by further frustrating prospective users. Under such circumstances, when it is not possible to determine whether a copyright subject matter is still protected, it could seem reasonable to issue a licence that will be valid if the work is not in the public domain, so

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<sup>36</sup> *CCH Canadian Ltd. v. Law Society of Upper Canada*, [2004] 1 S.C.R. 339, 2004 SCC 13 at para. 16.

<sup>37</sup> *Copyright Act*, *supra* note 2, s. 6.

<sup>38</sup> *Copyright Act*, *supra* note 2, s. 23(1).

<sup>39</sup> *Copyright Act*, *supra* note 2, s. 10, 11.

<sup>40</sup> *Copyright Act*, *supra* note 2, s. 7.

<sup>41</sup> *Copyright Act*, *supra* note 2, s. 9.

<sup>42</sup> *Copyright Act*, *supra* note 2, s. 6.2.

as to allow the applicant to pursue the intended use with peace of mind. This appears to be the practice the Board has followed to date.<sup>43</sup>

Though the Board has no jurisdiction to issue a licence for the use of material not protected by copyright, it is a slightly different question whether or not the Board may issue a licence for a non-infringing use of copyright-protected material. For example, may the Board issue a licence for the use of an insubstantial part of a work?

Section 77 empowers the Board to grant a licence only in respect of “an act mentioned in section 3, 15, 18 or 21.” Each of these provisions alludes to the concept of substantiality. Copyright owners only have the right to control the use of substantial parts of the work, performance, recording or signal. The use of insubstantial parts is not an act mentioned in section 3, 15, 18 or 21. By implication, the Board has no jurisdiction to issue licences in respect of such uses. In fact, the Board has in the past dismissed applications on the ground that it believed the proposed use was not for a substantial part of the work in question.<sup>44</sup>

Similarly, the Board cannot issue a licence for the private performance of a work, since section 3 of the *Act* only protects public performances. The same arguments mentioned above for and against issuing a licence are applicable in circumstances where the public or private character of the performance is uncertain.

Another related but distinct question is whether the Board may issue a licence when the applicant already benefits from a user right. For instance, may the Board licence a fair dealing, thus buttressing protection from copyright liability?<sup>45</sup> What about uses that fall within the exemptions for educational institutions<sup>46</sup> or libraries, archives or museums,<sup>47</sup> or the right to make private copies of sound recordings<sup>48</sup> or backups of computer programs?<sup>49</sup> In these cases, unlike situations involving insubstantiality, it would seem that there is no technical statutory limit on the Board’s jurisdiction to issue a licence. As such, any refusal by the Board to grant an application might have to be justified as an exercise of its residual discretion. Factors that might influence the Board in this exercise are discussed below. In effect, the Board has over time developed a policy that it will not issue a licence where clearly none is needed.

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<sup>43</sup> See *Re Centre Alpha au Pied de la Lettre* (10 June 1991), 1991-UO/TI-4, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/3-b.pdf>>; *Re Goose Lane Editions* (6 April 1992), 1992-UO/TI-2, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/9-b.pdf>>; *Re Saint-Eustache School Board* (4 November 1992), 1992-UO/TI-9, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/13-b.pdf>>; *Re Potvin* (11 February 1997), 1996-UO/TI-10, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/35-b.pdf>>.

<sup>44</sup> See e.g. *Re Pointe-à-Callière, Montreal Museum of Archeology and History* (29 March 2004), 2003-UO/TI-21, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/other/1-b.pdf>>.

<sup>45</sup> *Copyright Act*, *supra* note 2, ss. 29-29.2.

<sup>46</sup> *Copyright Act*, *supra* note 2, ss. 29.4-30.

<sup>47</sup> *Copyright Act*, *supra* note 2, ss. 30.1-30.5.

<sup>48</sup> *Copyright Act*, *supra* note 2, ss. 80.

<sup>49</sup> *Copyright Act*, *supra* note 2, ss. 30.6.

One further point warrants discussion here. The Canadian *Copyright Act* sets out a number of activities that constitute an infringement of copyright but are not acts mentioned in sections 3, 15, 18 or 21. For example, subsection 27(2) makes it a secondary infringement of copyright to knowingly sell, rent, distribute, exhibit or import infringing materials. Since the Board's jurisdiction is expressly limited to issuing licences for acts mentioned in sections 3, 15, 18 or 21, it would seem that the Board is unable to issue a section 77 licence for those secondary activities.

It can be argued, then, that the Board cannot issue a licence that authorizes such activities, though it has occasionally done so in the past.<sup>50</sup> However, the limit to the Board's jurisdiction is not a major problem. In practice, the Board will issue in response to an application concerning activities mentioned in subsection 27(2) a licence for the underlying act mentioned in sections 3, 15, 18 or 21. The applicant is able to then carry out the acts mentioned in subsection 27(2), as in such a case there would be no primary infringement on which to base a finding of secondary infringement.

The issue of moral rights, on the other hand, poses a more serious jurisdictional problem.

#### b) Moral Rights

Section 14.1 of the *Copyright Act* grants moral rights to the author of a work, including the rights to maintain the work's integrity and to be identified as the work's author. The author is often not the copyright owner, such as where a work is created in the scope of employment or where copyright has been assigned.<sup>51</sup> Though moral rights cannot be assigned, they can be waived or bequeathed by will.<sup>52</sup> An assignment of copyright does not alone constitute a waiver of moral rights.<sup>53</sup>

Respecting, or obtaining a waiver of moral rights can be even more difficult than dealing with economic rights, given the added challenge of identifying and locating the orphan work's author as well as its copyright owner. Moral rights issues are, therefore, a serious part of the overall orphan works problem.

Section 77, however, pertains only to the rights of copyright owners, not authors. That the title of the regime mentions "owners who cannot be located" [« titulaires introuvables »], rather than orphan works, underscores the point that the emphasis is on copyright owners, not works or their authors. Moreover, to repeat, the Board only has jurisdiction to issue licences in respect of acts mentioned in section 3, 15, 18 or 21. The Board has no apparent ability to deal (at least not directly) with the moral rights of authors, which are established by section 14.1 of the *Act*.

Despite the absence of an express reference to authors' moral rights in section 77, an argument might be made that a purposive interpretation of the statute requires that the Board have jurisdiction to address moral rights issues. If the Board has the power only to

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<sup>50</sup> See e.g. *Re Goose Lane Editions*, *supra* note 43.

<sup>51</sup> *Copyright Act*, *supra* note 2, s. 13.

<sup>52</sup> *Copyright Act*, *supra* note 2, ss. 14.1(3), 14.2(2).

<sup>53</sup> *Copyright Act*, *supra* note 2, ss. 14.1(4).

deal with economic rights, section 77 is at best a partial solution to the inability to deal in orphan works. Whether Parliament intended to create what, to some, would be an incomplete system to address only part of the orphan works problem, or rather intentionally addressed economic and not moral rights, remains an open issue.

Reports in other jurisdictions refer to moral rights in the context of orphan works. It is indicative of the difficulty of dealing with moral rights in orphan works that in the hundreds of comments received by the US Copyright Office, “no helpful suggestions were made as to how to solve this problem”.<sup>54</sup> The BSAC Paper from the UK, however, recommends that any licence granted on behalf of an unlocatable owner require an attribution of authorship of the work, if known.<sup>55</sup> Moreover, the BSAC Paper recommends that a potential system for clearing owners’ economic rights not purport to address authors’ moral rights of integrity.<sup>56</sup>

It is unclear to what extent the Board may consider an author’s moral rights when exercising discretion in respect of an application to use an orphan work or the terms of an eventual licence. If the regime is intended to focus on unlocatable owners, it is arguable that moral rights are an irrelevant consideration, which the Board should not take into account when making its decision. However, in at least one instance, an application was withdrawn after the applicant was informed that the Board would not issue the licence unless the work was reprinted without any modifications.<sup>57</sup> Moreover, it is common for the Board to require, as part of the terms of a licence, that a licensee make proper bibliographical references in her use of the work.<sup>58</sup> These points will be explored further in discussions of the Board’s discretion.

#### ***4. Reasonable Efforts***

Before the Board may grant an application for a licence, section 77 requires that the Board satisfy itself that the applicant has made reasonable efforts to locate the copyright owner and that the copyright owner cannot be located.

It is worth highlighting the fact that the copyright owner may be unknown and yet be locatable. For example, a dispute over ownership may exist among a limited number of known parties each claiming to be the (or a) copyright owner. In such cases, the owner(s) is (are) locatable, but are undetermined. Under this scenario, the Board has concluded that it has no jurisdiction to issue a licence.<sup>59</sup> Its role is to intervene where the owner cannot be located, not to adjudicate ownership disputes among competing claimants.

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<sup>54</sup> US Report, *supra* note 1 at 89.

<sup>55</sup> BSAC Paper, *supra* note 7 at 30.

<sup>56</sup> BSAC Paper, *supra* note 7 at 31.

<sup>57</sup> File 2002-UO/TI-01. The applicant wished to change “racially offensive expressions”, which would have distorted the nature of the work.

<sup>58</sup> *Re Fondation Les Forges* (30 August 1994), 1994-UO/TI-2, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/18-b.pdf>>; *Re Nisker* (31 March 1993), 1993-UO/TI-2, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/16-b.pdf>>; See also Carrière, *supra* note 20.

<sup>59</sup> The potential user’s way out is then to obtain permission from all those who claim to share in the copyright and hold the funds in escrow until the dispute is resolved. See, e.g., *Re National Film Board of*

It is also worth noting that the Board has no jurisdiction to issue a licence where the copyright owner has been located, but has not responded to a request for a licence or insisted on terms that are unacceptable to a licensee. These are not orphan works problems. The Board may only issue a licence pursuant to section 77 if the owner is actually unlocatable.<sup>60</sup>

One interpretation of section 77 would treat questions about the applicant's search as separate from questions about the locatability of the copyright owner. Though such an interpretation is grammatically plausible, it seems more sensible to collapse these related enquiries. That is, the Board may treat an owner as unlocatable if the applicant's reasonable efforts to find that owner were unsuccessful.

By limiting the efforts that must be made before applying for a licence to what is "reasonable," Parliament indicated that applicants are not required take every step possible to locate a copyright owner. Section 77 grants the Board significant leeway to decide what constitute reasonable efforts. The provision contains no specified criteria for the Board to consider, and the Board has not established formal regulations.

Similar concepts exist under laws in force or proposed in other jurisdictions. The BSAC Paper points out several provisions of UK copyright law that mention the need for a "reasonable inquiry," but rejects that test as not demanding enough for users of orphan works.<sup>61</sup> At the same time, the BSAC was concerned that too onerous a standard could unduly burden users with non-commercial purposes and few resources.<sup>62</sup> In the end, that paper proposes a test of "best endeavours," a phrase with a history of judicial interpretation that can be used as guidance.<sup>63</sup> The US Report refers to the possibility of requiring users of orphan works to conduct a "reasonably diligent search" before their potential liability is limited.<sup>64</sup> A Bill that was tabled based on the report elaborated on this requirement in some detail, though it never became law.<sup>65</sup>

In addition to a reasonably diligent search, the US Copyright Office recommended that users be required to demonstrate "good faith" to take advantage of a proposed limitation-on-remedies provision for orphan works.<sup>66</sup> The Canadian regime does not reference *bona* or *mala fides*. Presumably, however, an applicant's intentions will affect the quality, and therefore the reasonableness, of her search. If not, the Board can probably consider questions of bad faith in the context of its residual discretion to deny applications.

As discussed below, the Board has power to make formal regulations imposing standard search requirements for applicants. It has not yet done so, primarily because of the

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Canada (13 September 2005), 2005-UO/TI-34, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/other/5-b.pdf>>. This is precisely how most collective societies act when disputes arise over royalty distributions.

<sup>60</sup> *Supra* note 59.

<sup>61</sup> BSAC Paper, *supra* note 7 at 25.

<sup>62</sup> BSAC Paper, *supra* note 7 at 26.

<sup>63</sup> BSAC Paper, *supra* note 7 at 26.

<sup>64</sup> US Report, *supra* note 1 at 96.

<sup>65</sup> *Orphan Works Act of 2006* (H.R. 5439).

<sup>66</sup> US Report, *supra* note 1 at 98.

benefits of retaining a flexible approach that is adaptable to the diverse circumstances in which orphan works problems arise.

In the absence of formal regulations, informal standards have emerged by which the Board may judge an applicant's search efforts. The Board evaluates the adequacy of the search on a case-by-case basis, and the required efforts depend heavily on the circumstances. The US Report referenced numerous factors suggested by commentators,<sup>67</sup> many of which the Board considers as a matter of course in the context of section 77 applications.

Some relevant factors relate to the nature of the applicant. For example, it matters whether the applicant is an individual, a commercial entity or a not-for-profit organization. The applicant's proposed use may also be material. That is, whether the application is for a commercial or non-commercial use may influence the Board's assessment of whether a search was reasonable in the circumstances.

Other considerations relate to the nature of the work and information about its owner. It might matter whether the work itself identifies an owner. For example, a book is likely to contain information about initial authorship and copyright ownership whereas a photograph is less so.<sup>68</sup> Additional factors could include whether or not the work's author is still living or corporate owner still exists, or whether information about ownership might be found in publicly available records.

There are several things a potential user could do to demonstrate she has made reasonable efforts to locate a copyright owner. The Board generally expects an applicant to have consulted most of the repertoires of copyright licensing agencies and collective societies, as well as national libraries' indices, copyright offices' registration records, publishing houses and corporate records. Comments made to the US Copyright Office indicated that users sometimes search on the internet, in old phone books and through death certificates and estate records.<sup>69</sup> An applicant will be required to extend the search beyond Canadian borders if it is probable that the owner of the copyright may be located abroad.

It was the case that applicants were required to file an affidavit setting out precisely all of the steps undertaken to locate the copyright owner, in addition to other supporting documents. The Board has abandoned that practice.

The US Report and the BSAC Paper raised the issue of whether a user ought to be able to rely on other people's previous searches to demonstrate that a copyright owner is unlocatable.<sup>70</sup> The BSAC recommended that users be required to demonstrate

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<sup>67</sup> US Report, *supra* note 1 at 77-9, 99-108.

<sup>68</sup> Indeed, issues relating to authorship and copyright ownership as they relate to photographs have plagued many efforts to determine what was the appropriate way to look for the copyright owner. For example, the "author" of publicity shots of singers from the 1950's and 1960's may be as easily the photographer, the label, the artist or her manager. Furthermore, determining whether the "author" is a natural person, a corporation controlled by an author-photograph or another corporation will determine the duration of copyright.

<sup>69</sup> US Report, *supra* note 1 at 29.

<sup>70</sup> The US Copyright Office called this practice "piggybacking": US Report, *supra* note 1 at 78.

independently that reasonable search efforts have been made in that user's particular circumstances.<sup>71</sup> The US Report suggested that each user should conduct a search, though it may be reasonable in some circumstances to rely in part on others' efforts.<sup>72</sup> The Board's practice has been to permit an applicant to rely on updates to previous searches to demonstrate that reasonable efforts to locate a copyright owner have been unsuccessful. The BSAC flagged this concern as applicable to downstream uses of works that incorporate underlying orphan works, such as a film for example. The Board has not yet dealt with an application where that problem has arisen.

Some prospective users of orphan works might complain that the Board's requirements are overly onerous, and the standard of reasonableness ought to be lowered. The attitude of the BSAC toward such sentiments would be that an orphan works system should not necessarily be quick and cheap to use. The BSAC Paper observes that negotiations over copyright issues often take time and involve costs. That is the reality of copyright law. Nevertheless, a system of licensing orphan works that is too cumbersome is not likely to be used. In that respect, the Board has apparently attempted to steer a middle course, though in instances involving substantial uses of clearly protected works, the Board has tended to be more demanding.

The Board has not published a list of "best practices" for searches in particular contexts, or actively encouraged others to do so. Its publicly available brochure, however, does suggest several steps a potential applicant should take before contacting the Board.<sup>73</sup> It is conceivable that creating and promoting best practices could reduce the amount of time and resources the Board currently spends walking applicants through possible search procedures, liaising with collective societies or performing aspects of searches itself. The US Report notes that several commentators had indicated that guidelines would be helpful, and recommends that user and owner groups collaborate to develop them.<sup>74</sup> Efforts are already underway, for example between international publishers and librarians.<sup>75</sup>

## **5. Residual Discretion to Grant/Deny Applications**

Section 77 states that the Board "may" issue a licence once the requirements set out in the provision have been satisfied. By conferring a discretionary power to issue a licence, this provision implicitly authorizes the Board to reject an application. Pursuant to

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<sup>71</sup> BSAC Paper, *supra* note 7 at 27.

<sup>72</sup> US Report, *supra* note 1 at 9, 79.

<sup>73</sup> Copyright Board of Canada, *Unlocatable Copyright Owners Brochure*, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/brochure-e.html>>.

<sup>74</sup> US Report, *supra* note 1 at 79, 110.

<sup>75</sup> See *e.g.* International Federation of Library Associations and Institutions/International Publishers Association, *Joint Statement on Orphan Works* (June 2007), <<http://www.internationalpublishers.org/images/pdf/IndustryPolicy/IFLAIPA/JointStatements/ifla-ipa%20orphan%20works%2020070607.pdf>>.

principles of administrative law, the Board's discretion to grant or deny applications must be exercised reasonably.<sup>76</sup>

An applicant must normally satisfy the Board on the balance of probabilities that an application is compliant with the statutory requirements. That being said, rules of evidence apply differently to administrative tribunals such as the Board, so it has been flexible with the kinds of evidence accepted to support applications, for example where no direct proof of publication existed, or where subsistence of copyright was uncertain based on the evidence adduced.<sup>77</sup> The Board has also inferred that some forms of publication (*e.g.* of a photo of a current event in a newspaper) are likely almost always made with the consent of the copyright owner.<sup>78</sup>

In terms of procedural issues more generally, the Board is not bound by the formal rules of any court. That principle governing administrative tribunals is, however, "subject to the proviso that they comply with the rules of fairness and, where they exercise judicial or quasi-judicial functions, the rules of natural justice".<sup>79</sup> The Board has not adopted formal rules of procedure in respect of any of its missions. Its general Directive on Procedure<sup>80</sup> is designed to deal with the examination of proposed tariffs, not applications under section 77.

Subsection 77(4), which came into force nearly a decade after section 77 was originally enacted, confers upon the Board the authority to make regulations governing the issuance of licences. The Board has never availed itself of this authority. Most people who provided comments for the US Report opposed the US Copyright Office issuing rules related to search criteria, because doing so might limit flexibility in special circumstances.<sup>81</sup> On the other hand, regulations might make the process more transparent and predictable. Thus, there is a trade-off between consistency and predictability on one hand and flexibility and fairness on the other.

As a middle ground, the Board has adopted several overarching policies when deciding whether to issue a licence, and if so, on what terms. One such policy is to approach its role as stepping into the shoes of the unlocatable owner.<sup>82</sup> Because it is impossible to determine exactly what are the owner's wishes, the Board bases decisions on the conduct of other similarly situated copyright owners or general market practices. Presumably this

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<sup>76</sup> *Baker v. Canada (Minister of Citizenship and Immigration)*, [1999] 2 S.C.R. 817 at para. 53. See generally Blais *et. al.*, *Standards of Review of Federal Administrative Tribunals*, 3<sup>rd</sup> ed. (Markham: LexisNexis, 2007) at ch. 1, 9.

<sup>77</sup> See *e.g. Re Canadian Centre for Architecture* (17 January 2005), 2004-UO/TI-32, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/other/3-b.pdf>>; *Re Office of the Lieutenant Governor of Québec* (3 March 2005), 2004-UO/TI-37, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/other/4-b.pdf>>.

<sup>78</sup> See *e.g. Re Near-Miss Productions* (25 November 2005), 2005-UO/TI-22, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/170%2Df.pdf>>.

<sup>79</sup> *Prasad v. Canada (Minister of Employment and Immigration)*, [1989] 1 S.C.R. 560 at 568-69.

<sup>80</sup> Copyright Board of Canada, *Directive on Procedure*, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/aboutus/directive-e.html>>.

<sup>81</sup> US Report, *supra* note 1 at 10.

<sup>82</sup> Copyright Board of Canada, *Speech given by the Honourable Justice William J. Vancise*, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/aboutus/speeches/20070815.pdf>> at 6.

reflects the owner's most probable course of action. The Board, therefore, attempts to act as it believes the copyright owner would in issuing licenses and related terms and conditions.

This is not the only way that the Board could approach section 77 applications. Rather than acting on behalf of the unlocatable copyright owner, the Board could instead adopt a neutral position in adjudicating applications. When a court of law considers a matter *ex parte*, the court's role is not to represent the absent party. A court in such circumstances takes special account of possible prejudices to the unrepresented party, but does not step into that party's shoes.

In effect, however, the Board does not blindly attempt to reflect the absent copyright owner's wishes. For example, the Board has stated that it "should not issue a licence for a purpose that is repugnant to modern Canadian society, even if the author was known to support such a purpose; this would disregard public interest objectives that the Board always should keep in mind."<sup>83</sup>

### **C. Discretion to Set Licence Terms and Conditions**

If the Board decides to grant an application for a licence, it must then also decide on the appropriate terms and conditions for that licence. The terms and conditions are set at the Board's discretion, though there are several constraints imposed both by the *Act* and general legal principles.

For example, subsection 77(2) provides that the Board may only issue non-exclusive licences. This restriction seems to fulfill two purposes: it accounts for the possibility that the unlocatable owner may have issued (or may later issue) a licence to another user, and it stops the Board from granting what would amount to a monopoly on the use of a particular orphan work.

There are also external limitations on the Board's discretion to set the terms of a licence. Principles of administrative law require the Board to act fairly, provide an opportunity to be heard and give reasons for its decisions.<sup>84</sup> As long as the Board complies with these procedural and substantive requirements, it may impose reasonable terms and conditions as it sees fit.

In setting the terms and conditions of a licence, the Board will take various factors into account. Relevant considerations may include the number of copies requested, the level of expected profit, the proposed use as well as the nature of the applicant. With the above

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<sup>83</sup> *Re Breakthrough Films & Television* (6 March 2006), 2004-UO/TI-33, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/156r-b.pdf>> at 13. This statement appears to reflect the overall approach of the Board, even though it was made in a minority opinion.

<sup>84</sup> See generally Sara Blake, *Administrative Law in Canada*, 4<sup>th</sup> ed. (Markham, ON: LexisNexis Butterworths, 2006); D.P. Jones & A.S. De Villars, *Principles of Administrative Law*, 4<sup>th</sup> ed. (Toronto: Carswell, 2004). Licence terms are generally agreed to in advance; as a result, there is no prejudice to the applicant in not issuing reasons. Since June 1998, the Board issues reasons only where required, such as when the application is denied.

factors in mind, the Copyright Board proceeds on a case-by-case basis in determining licence terms.

### **1. Territoriality**

Section 77 does not state whether the Board is able to issue effective licences for acts that occur outside of Canada. In practice, however, the Board has always taken for granted that it cannot. Every licence states that “[t]he licence is ... valid only in Canada. For other countries, it is the law of that country that applies.” This approach corresponds to how the Board has interpreted its power to set tariffs. It is consistent with the presumption against extraterritorial applicability of Canadian legislation.

The Supreme Court of Canada has held that the Board has jurisdiction to approve tariffs covering persons or activities that have a “real and substantial connection” to Canada.<sup>85</sup> There is no reason why the Court’s ruling would not apply to a licence issued pursuant to section 77. Thus, the Board has been of the view that it may issue a licence to use in Canada an orphan work owned by an unlocatable foreign national.

Whether a licence issued by the Board would be recognized in a foreign country however, is another matter. That is, even if the Board purported to authorize acts done outside Canada, a foreign court may not recognize the licence from the Board. That would depend on the rules of private international law applicable in the foreign jurisdiction. It is not certain that a licence granted by the Board would be unenforceable. A foreign court could conceivably recognize its validity and enforce its terms, although full legal analysis of that point is beyond the scope of this study.

### **2. Duration**

Section 77 does not specify that the Copyright Board must establish a specific date at which the licence will expire. However, subsection 77(3) uses the expiration of the term of the non-exclusive licence as the starting point of the five-year limitation period for a copyright owner to recover royalties. It is implicit, therefore, that the Board must indicate a duration for the licence, and the Board has made it standard practice to do so.<sup>86</sup>

In cases that involve a specific, physical act, (e.g. reproduction) the duration of the licence is usually determined on the basis of an estimate of the time the applicant will require to accomplish the copyright protected act or acts. The same will be true if general

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<sup>85</sup> *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, [2004] 2 S.C.R. 427, 2004 SCC 45, at paras. 60-61. See also Stephen Coughlan, Robert J Currie, Hugh Kindred & Teresa Scassa, *Global Reach, Local Grasp: Constructing Extraterritorial Jurisdiction in the Age of Globalization* (Law Commission of Canada, 2006).

<sup>86</sup> *Re U.P. Productions, Inc.* (26 March 1992), 1991-UO/TI-15, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/7-b.pdf>> at 3 [*Re U.P. Productions, Inc.*]; *Re Aylmer United Church* (9 July 1992), 1992-UO/TI-7, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/12-b.pdf>> [*Re Aylmer United Church*].

practice in that market is to issue time-limited licences. The applicant who wishes to continue to use the work will be asked to make a further application.<sup>87</sup>

By contrast, in markets where the general practice is to issue licences in perpetuity (*e.g.* for audio-visual works), or in situations where multiple protected uses will take place over time (*e.g.* broadcasting), the Board will sometimes issue licences that expire when the work enters the public domain, whether or not that date can be determined. What is important here is not that the date of expiration of the licence be known, but that it may be determinable. Of course, even if the licensee intends to still use the protected work after it has entered the public domain, no licence will be required and the Board has chosen not to unnecessarily extend the term beyond that date.<sup>88</sup>

A subsidiary issue relates to the continuing effectiveness of a section 77 licence after a previously unlocatable owner has come forward. That owner might wish that the licensee stop using the work. In Canada, however, the owner is only entitled to the payment of the royalties set in the licence. The US Report contemplates a limitation on available injunctive relief in situations where it is not practical for the user to cease use. Examples mentioned in the BSAC Paper include circumstances where an orphan work is incorporated into a derivative work, or where a large number of books have been printed but not yet sold.<sup>89</sup> While the Board has never provided in a licence that the copyright owner was entitled to terminate it, the issue is currently under examination. Some of the institutions that have approached Board staff with projects requiring mass copyright clearance may wish to include in any eventual licence the right for the copyright owner to terminate licences under certain conditions.

### 3. *Interim Licences*

Section 66.51 of the *Copyright Act* provides that the Copyright Board may, on application, issue interim decisions. In the past, the Board has issued interim licences to meet the need of the applicant while ensuring the protection of the rights of the unlocatable copyright owner. For example, the Board has taken the view that the wording of subsection 70.7(2) of the Act is “wide enough to allow the Board to address the situation promptly, while reserving its final decision on some of the details raised by the application”.<sup>90</sup> Based on this interpretation, the Board issued a licence for the reproduction of fifteen magazine covers in a calendar to be distributed free of charge to persons who renewed their subscription to a magazine. The licence was accompanied by a set of interim conditions allowing the applicant to go to press with its calendar in a timely fashion.<sup>91</sup> The Board did so in that case because the applicant needed to obtain a

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<sup>87</sup> See *e.g.* *Re L'Office national du film du Canada* (18 June 2003), 2003-UO/TI-15, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/122-f.pdf>> (licence renewed in Board decision 2008-UO/TI-03).

<sup>88</sup> *Re U.P. Productions, Inc.*, *supra* note 85; *Re National Film Board of Canada* (30 November 1992), 1992-UO/TI-10, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/14-b.pdf>>.

<sup>89</sup> BSAC Paper, *supra* note 7 at 33.

<sup>90</sup> *Re Maclean Hunter Limited* (24 August 1990), 1990-3, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/1-b.pdf>> at 2.

<sup>91</sup> *Ibid.*

licence immediately, but the application raised a number of difficult legal issues. There have been several other instances where such licences have been granted.<sup>92</sup>

#### **4. Retroactivity**

One of the controversial matters arising from section 77 applications is the issue of retroactive licences.<sup>93</sup> The Board often has concluded that it may issue licences covering acts that have already taken place. But it is a separate question whether the Board should do so. That is, should the Board immunize applicants from liability for past infringements, or require applicants to seek licences prior to carrying out the would-be infringing act? Valid arguments for and against both positions were presented in an application that resulted in a divided decision.<sup>94</sup>

The majority of Board members saw no problem issuing a licence to a film production company that sought permission to narrate extracts from a copyright-protected book in a historical documentary. Permission was sought after the extracts were reproduced, but before the documentary was broadcast. There was no reason to suspect the copyright owner, if located, would have objected to that.

The minority of Board members also acknowledged that, in practice, copyright owners frequently sanction past uses of their works. They also recognized that retroactive licences can promote certainty as well as respect for copyright principles. Yet they would not have issued a retroactive licence in that instance. Most importantly, they did not want section 77 to be perceived as an insurance policy to cover the risk of liability after infringements have occurred, thus depriving copyright owners of their significant legal recourses should they eventually come forward. Instead, they wanted to encourage business models with proactive rights clearance processes.

#### **5. Price & Payment**

Though each licence granted by the Board sets a price for the permitted use, not all licences require that the licensee pay a royalty up front. Where such a payment is required, it becomes necessary to establish who should collect the royalties, as well as how the royalties should be administered and potentially distributed. These points are discussed in order below.

The first issue is whether a licensee ought always to be required to pay royalties. The US Report and the BSAC Paper both contemplate that in appropriate circumstances, a reasonable royalty for using an orphan work might be zero.<sup>95</sup> The Board has rejected this

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<sup>92</sup> *Re Musée de la civilisation* (14 May 1992), 1992-UO/TI-6, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/10-b.pdf>> (authorizing the reproduction and translation of extracts from two books); *Re Goose Lane Editions*, (16 March 1992), 1992-UO/TI-2, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/6-b.pdf>> (authorizing the reprinting of a photograph from a book).

<sup>93</sup> See *e.g.* Carrière, *supra* note 20.

<sup>94</sup> *Re Breakthrough Films & Television* (6 March 2006), 2004-UO/TI-33, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/156r-b.pdf>>.

<sup>95</sup> US Report, *supra* note 1 at 12-13; BSAC Paper, *supra* note 7 at 32.

approach. Yet the purpose for which the applicant wishes to make use of the work, whether commercial, educational or religious, is sometimes but not always material and may lead the Board to set the amount of royalties at a nominal amount,<sup>96</sup> or, as we will discuss below, not to require that royalties be in advance. Still, it could be argued that it may be reasonable, for example, to impose no royalty payments for licences issued to charitable organizations, libraries or museums, educational institutions or individuals or even other entities, where the proposed use is for non-commercial purposes. It would be difficult to make the same argument with respect to commercial uses, for which the Board attempts to set royalties market rates.

There are various considerations that might be taken into account in establishing a reasonable royalty rate. The Board often asks collective societies for up-to-date information on the price they charge to licence their own repertoire for proposed uses of particular types of works. In markets where collective administration does not exist, it is often possible to determine a generally recognized market practice. In that respect, the BSAC suggested a number of additional factors that might be relevant to establishing a reasonable royalty, such as the extent to which additional permanent copies of the orphan work have been made available to the public and the period of time over which the use has taken place.

The BSAC Paper and the US Report also suggested that the royalty, if appropriate, be agreed upon after negotiations between the owner and user. That arrangement is only possible if, as recommended in those documents, the payment of royalties is contingent upon the emergence of a copyright owner. This approach is incompatible with the Canadian regime, in which the licence necessarily is issued before the owner emerges, and the Board is required to set the royalty, which leaves no space for *ex post facto* negotiations.

Some might argue that allowing a licensee to make a contingent payment may seem like an unjust enrichment on the part of the user if no owner eventually emerges, particularly in the context of commercial uses. Still, the BSAC Paper suggested that this would be the simplest and best approach in the UK.<sup>97</sup> The US Report and corresponding Bill also would have required a user to pay a reasonable amount for the use of the work only in the event that a previously unlocatable copyright owner emerged to claim royalties.

On occasion, the Board has weighed various considerations to conclude that a contingent royalty payment was appropriate. The best illustration of this is the licences that the Board issued to the Canadian Institute for Historical Microreproductions, an organization established to preserve and distribute early printed Canadiana on microfiche.<sup>98</sup> Over a

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<sup>96</sup> Often, the amount is suggested by a collective society which itself charges less for certain uses. In other cases, the underlying purpose of the licence may influence the Board's own determination of the fee: see *Re Royal Canadian Artillery Museum* (14 June 1991), 1991-UO/TI-9, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable-introuvables/licences/4-b.pdf>> at 3; *Re Aylmer United Church*, *supra* note 87 at 3; *Re Canadian Institute for Historical Micro-reproduction* (18 September 1996) 1993-UO/TI-5, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable-introuvables/licences/27-b.pdf>> and subsequent decisions dealing with the same applicant.

<sup>97</sup> BSAC Paper, *supra* note 7 at 28.

<sup>98</sup> *Supra* note 42.

period of four years, the Board issued to the Institute eleven licences authorizing the reproduction of 6,675 Canadian works published between 1900 and 1920. Many of the works were still clearly protected by copyright. Often, however, this was impossible to determine. The Board considered, among other factors, the nature of the intended use, the fact that no copyright owner would probably surface and the fact that almost all copyright owners who had been contacted had authorized the reproduction without asking for any money. In the end, and notwithstanding the objections of the relevant collective society in this regard, the licence did not require the payment of royalties to a collective, and set the contingent payment at only ten cents per work, per copy.

If, however, *ex ante* payments are required in the absence of a known and locatable copyright owner, questions will arise about who, if anyone, should receive and hold the payment. Obviously, an unlocatable copyright owner is unable to receive royalties from a licensee.

One option is to establish an escrow account where funds are held on behalf of the owner. According to the US Report, an escrow requirement would be “highly inefficient,” and “would not in most cases actually facilitate payments between owners and users of orphan works”.<sup>99</sup> Board experience confirms that this approach is impracticable because it is too costly. Early Board licences required first the applicant, and then the collectives, to hold funds in trust. That practice was eventually abandoned. As for the scenario under which the Board could hold funds itself, it would be feasible only if the Board was so empowered, which it currently is not.

Instead, the Board often requires licensees to pay royalties to collective societies immediately upon the issuance of a licence. In the past, the designated collective society was required to hold the royalties in trust for the benefit of the unlocatable owner for a period of five years after the expiry of the licence, *i.e.* the time during which an owner may come forward to claim an entitlement under the terms of the licence from the Board. After the expiration of the five-year period, the collective society was allowed to use the funds for whatever purpose it chose. However, that practice was seen to be too demanding for the sums involved. So instead it was decided to allow collective societies to use the unlocatable owners’ royalties as they saw fit from the outset, as long as the collective undertook to compensate the owner if necessary.

Indications are that different collective societies have different practices. None maintain trust accounts. Most maintain reserves. Some, including Access Copyright, will pay the copyright owner even if she makes a claim after the expiry of the period set in the *Act*.

The practice of engaging collective societies in the licensing process under section 77 is controversial, and has been the subject of specific complaints to the Board.<sup>100</sup> Professor Vaver calls it “questionable,” pointing out that the Board cannot require charitable donations as a condition of a licence to use an orphan work and that allowing collectives to confiscate royalties is even less plausible. Among those who addressed the issue of

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<sup>99</sup> US Report, *supra* note 1 at 11, 114.

<sup>100</sup> Email from Wallace MacLean to the Copyright Board of Canada (26 February 2006).

royalty payments in the context of the US Report, some supported having unclaimed fees escheat to the agency administering the fees, others said the money should go to organizations that support artists in the same field as the orphan work, and still others felt that the fees should be returned to the user.<sup>101</sup> All of those comments assumed that a royalty payment would be imposed absent the copyright owner, a proposal that the US Copyright Office ultimately rejected.

From a legal perspective, any authority on the part of the Board to require payments to collective societies, which may then do what they wish with must necessarily stem from subsection 77(3) of the *Copyright Act*, which empowers the Board to set the terms and conditions of a licence. In the context of certifying tariffs, the Federal Court of Appeal has interpreted the Board's power to determine what are appropriate terms and conditions widely.<sup>102</sup> In exercising its powers pursuant to section 77, the Board has chosen to apply general principles from the law of trusts, including the equitable concept of *cy-près*. When it becomes impossible, impracticable or illegal to carry out the purpose of a charitable trust, instead of setting aside the trust, a court may order that property be used for a purpose that is as close as possible to the use intended by the settlor of the trust.<sup>103</sup> This doctrine has sometimes been used to deal with class action lawsuit settlement funds if persons entitled to receive payment do not come forward.<sup>104</sup>

The Latin maxim *delegatus non potest delegare* captures the idea that a tribunal itself must make all decisions it is empowered by statute to make.<sup>105</sup> Some may argue that the *Copyright Act* empowers the Board to grant licences and to set the corresponding terms and conditions, but not to delegate these powers, whether by regulation, agreement or otherwise. Consequently, the argument goes, the Board cannot defer to the opinions or approval of anyone else, let alone permit anyone else to make direct decisions concerning applications under section 77.

However, it is also arguable that the allocation of responsibility for collection and distribution of royalties is not a delegation of any decision-making power. The Board alone makes all decisions. The Board is permitted to engage collective societies and other experts in the licensing process. The fact that, under the *Act*, the Board has the express power to utilize the services of persons having technical or specialized knowledge to advise and assist in the performance of its duties may or not be relevant.<sup>106</sup> More importantly, according to administrative law, the Board may obtain information and opinions from others, impose standards developed by other authorities or delegate tasks such as fact-finding or investigation.<sup>107</sup>

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<sup>101</sup> US Report, *supra* note 1, at 85.

<sup>102</sup> *Neighbouring Rights Collective of Canada v. Society of Composers, Authors and Music Publishers of Canada*, [2004] 1 F.C.R. 303.

<sup>103</sup> Mark R. Gillen and Faye Woodman, *The Law of Trusts, A Contextual Approach*, (Toronto: Emond Montgomery, 2000) at 257-67.

<sup>104</sup> Ward Branch, *Class Actions in Canada*, looseleaf (Aurora, On.: Canada Law Book Inc., June 2006), at para. 18-200. The *cy-près* approach was built into the Québec class action regime from its inception in 1978.

<sup>105</sup> Blake, *supra* note 84 at 137.

<sup>106</sup> *Copyright Act*, *supra* note 2, s.66.4(3).

<sup>107</sup> Blake, *supra* note 84 at 137 and cases cited therein.

These principles and provisions would seem to give the Board authority to continue its practice of consulting with collective societies to ascertain approximate market prices for licences. It is also possible that the Board could extend the protocols already in place with collectives such as Access Copyright and Copibec, or further involve collective societies by requiring applicants to coordinate reasonable search efforts with them, asking them to verify compliance with established criteria or proposing terms and conditions of a licence to the Board.

In deciding whether to involve collective societies in the section 77 scheme, the Board might weigh a number of considerations. Administrative efficiency and the allocation of Board resources are among the most important issues. The Copyright Board's members and staff are responsible for a number of tariff regimes, most of which involve royalties that vastly exceed the amounts at issue under section 77. We leave it to others to discuss whether it is either practicable or advisable for the Board to devote resources to, for example, administering and distributing funds held in trust for unlocatable owners.

In contrast, royalty collection and distribution is the *raison d'être* of collective societies. There is anecdotal evidence that involving collective societies in the licensing, collection and distribution increases the likelihood that royalties will eventually reach the true copyright owner. Another argument for involving collective societies is that copyright owners may find it easier to acquire amounts owing from a collective than from an individual user who might disappear before the owner's rights have expired. Some collectives publicize the issuance of licences that they have been asked to administer. Collective societies also incur expenses co-operating with the Board on section 77 applications, and royalties payable to them help to offset at least some of these costs.

The Board first developed the policy of involving collective societies in the administration of the section 77 licensing scheme in 1991, but it was not until 1997 that the Board considered formalizing a relationship. When it appeared before the Standing Committee on Canadian Heritage in 1997, the Board proposed some amendments to the *Act* in order to simplify the licensing process. The purpose of the first recommendation was to avoid unduly taxing the Board's resources. It proposed to assign licensing responsibility to the collectives already managing the type of use contemplated in the request. The Board would have intervened only in the absence of a collective, or in order to settle disputes between a collective and an applicant.

In response, the *Copyright Act* was amended to give the Board the power to govern the attribution of licences by regulation. The Board has not exercised this power, however, in part because it is probably not sufficient to allow the Board to delegate to collective societies further responsibilities in respect of section 77. As such, this topic was referenced again in the Board's 2003 submissions on the *Section 92 Report*.<sup>108</sup>

Rather than cementing a relationship with collective societies via regulations, the Board has continued with ongoing collaboration and consultation to address problems as they

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<sup>108</sup> Industry Canada, "Supporting Culture and Innovation: Report on the Provisions and Operation of the Copyright Act" (Ottawa: Industry Canada, 2002).

arise. At the request of Canada's leading reprography collectives, Access Copyright and Copibec, formal administrative arrangements were developed. Agreements set out the Board's expectations when the collective is involved in an application. They also provide a framework within which potential applicants can contact the collectives directly, without the Board being involved in the early stages of an application. Whatever the Board chooses to do in the future, continuing transparency is likely to be important in order to ensure public acceptance of any arrangements with collective societies.

## **6. Attribution/Marking**

The BSAC Paper recommended requiring attribution of authorship, if the author is known, as a condition for using an orphan work. The BSAC recommendation is likely attributable to a nearly identical recommendation made earlier in the US Report. The US Report recommended attribution in order to "make it as clear as possible to the public that the work is the product of another author, and that the copyright in the work is owned by another".<sup>109</sup> International publisher and library associations have also agreed on this requirement in principle.<sup>110</sup> Indeed, there seems to be growing consensus among all stakeholders that as much attribution as is possible in the circumstances is an appropriate condition of use of orphan works, in order to facilitate the subsequent location of copyright owners, as a matter of fairness and possibly for other reasons.

Another suggestion in the BSAC Paper, somewhat related to this point, is to require a user of an orphan work to indicate on any copies of that work made, communicated or distributed to the public that the user is relying on authorization under a particular provision to carry out such acts.<sup>111</sup> According to the BSAC, a copyright owner who appears at a later time might then know whether and how a licence fee may be collected, rather than sue the user for infringement only to discover that the user's act was authorized under an exception or licence for orphan works. It might also increase the likelihood that the owner could collect royalties owing by publicizing the fact that the work had been treated as orphaned. The US Report made similar observations.<sup>112</sup>

Sometimes but not always, the Copyright Board has required licensees to indicate the name of the author, and that uses are carried out pursuant to a licence obtained from the Board as well as to specify how the owner might obtain compensation for the use made. The Board has required such practices occasionally but not systematically in the context of section 77 applications. For example, a licence was granted to a Québec bookseller to reprint 2,000 copies of a book, on the condition that a credit acknowledging the author of the work and specifying the existence of a licence from the Board be prominently presented in the reprints.<sup>113</sup> It appears that the practice is now more systematic.

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<sup>109</sup> US Report, *supra* note 1 at 10, 82, 110-112.

<sup>110</sup> IFLA/IPA Statement, *supra* note 75.

<sup>111</sup> BSAC Paper, *supra* note 7 at 22.

<sup>112</sup> US Report, *supra* note 1 at 111.

<sup>113</sup> *Re: Application of Chelsea Books* (29 March 2007), 2007-UO/TI-06, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/199-e.pdf>>.

Other provisions of the *Copyright Act* already contemplate similar requirements. A moral right of attribution arises where attribution is reasonable in the circumstances. Moreover, in order to make certain fair dealings, such as for purposes of criticism, review or news reporting, it is necessary to identify the source of the work. Precisely whether and how attribution would take place might vary depending on the type of work, the proposed use and other circumstances.

Requiring that the known authors be identified helps in avoiding moral rights issues that may unwittingly arise. Earlier we mentioned the uncertainty surrounding the Board's ability to deal with moral rights issues. Clearly, the Board cannot waive moral rights. On the other hand, it could be argued that the Board can set terms and conditions that any prudent copyright owner would set. Requiring by condition of licence that a work be used so as not to create moral rights issues is possible. Dealing with attribution would seem straightforward. If attribution can be addressed, so can integrity.

## **7. *Revocation/Termination***

Even if there has been a material change in the circumstances pertaining to the decision since it was made, the Copyright Board is not expressly authorized to intervene so as to reconsider and vary a decision made under section 77. More importantly, section 77 licences are not part of the decisions that the Board can vary pursuant to section 66.52 of the *Act*. This raises questions about what might be done in the event that a licensee does not respect the terms of the licence granted by the Copyright Board. Can the Board revoke the licence, or enforce the licence terms in a court of law? These difficult questions have not yet arisen in practice before the Board.

Another question is whether owners who were previously unlocatable can revoke or amend the terms if they come forward after the Board has issued a licence. Subsection 77(3) only provides that the owner may collect or recover royalties fixed in the licence within 5 years following the expiration of a licence. The owner may wish to terminate the licence, or obtain an injunction prohibiting the licensee from continuing with the use authorized by the Board. Can the owner do so?

Section 77 does not preempt owners from seeking an injunction or delivery up of infringing copies of their works pursuant to section 34 or other remedial provisions. In so far as these remedies do exist, an attempt by the Board to negate them probably would be invalid. However, the key word here is "infringing." Copies made pursuant to a valid Board licence necessarily are not infringing. Users who comply with the terms of the licence are as entitled to shelter under it as users who benefit from a licence issued directly by the copyright owner. The true issue, then, is not the Board's power to override an owner's rights, but the extent of those rights. The probable answer is that the owner's only remedy is the one that subsection 77(3) provides, unless the licence itself allows the owner to terminate.

The Board has never provided in a licence that it is revocable by the copyright owner. It could presumably do so under its authority to set the terms and conditions of the licence. Assuming the Board could do this, the way in which this would be allowed would be critical. Though the Board has not yet engaged with these issues, others have raised them.

The US Report referenced a number of comments from stakeholders about what ought to happen when a previously unlocatable copyright owner appears and attempts to assert her rights.<sup>114</sup> The consensus is that new and existing uses of the work should be distinguished. Most agreed that owners ought to be able to prevent new uses of their works. Whether an owner should be able to prevent a user from dealing with existing copies of the previously orphaned work was more controversial, particularly where that work has been incorporated into a derivative work. The BSAC Paper explores similar issues.<sup>115</sup>

## **8. Transferability**

Nothing in the *Copyright Act* or in the licences granted by the Copyright Board speaks to the ability of a section 77 licensee to deal with its licence.<sup>116</sup> In all probability, the rules generally applicable to non-exclusive licences would apply here. While subsection 13(4) states that an owner may transfer rights in a number of ways, the *Act* seems to be silent on the ability of licensees to do likewise. So whether a licence granted by the Copyright Board under section 77 could be assigned, divided, or sublicensed remains an open question.

On the other hand, it is probable that the Board, just as the copyright owner, is able to expressly provide that a licence can be assigned, divided or sublicensed. The Board has done so implicitly in the past, such as when it has granted broadcasting rights to producers who do not operate a television station.

## **III. Empirical/Statistical Analysis**

This section presents a detailed empirical review and statistical analysis of the Board's activities in respect of section 77 licences, with the goal of providing basic factual information that may in the future facilitate policy discussion, comparative study, or program analysis. Charts or graphs, as well as possible interpretations of and explanations for the study's findings often accompany reported data. The cut-off date for analysis is the end of the 2008 calendar year, though some 2009 data has been included where available and appropriate.

### **A. Number and Rate of Applications**

The Copyright Board has opened files for over 441 different applications for licences pursuant to section 77.<sup>117</sup> However, the Board has received many more inquiries than formal applications. This report only analyzes applications for which files were opened.

The Board has been getting busier dealing with section 77 over time. The number of files opened by the Board has increased from less than 10 files in 1990 to over 40 in 2006, with an average upward trend of between 2 to 3 (precisely 2.38) additional applications

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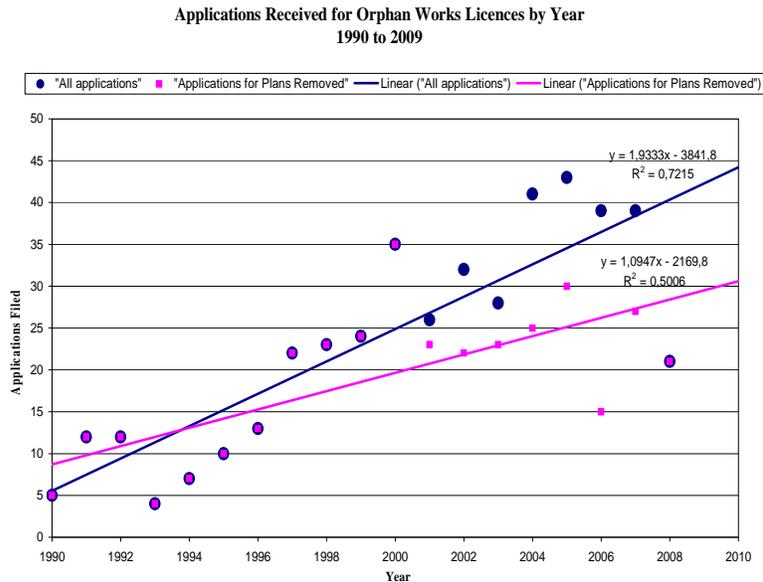
<sup>114</sup> US Report, *supra* note 1 at 86.

<sup>115</sup> BSAC Paper, *supra* note 7 at 33.

<sup>116</sup> Carrière, *supra* note 20 at 14.

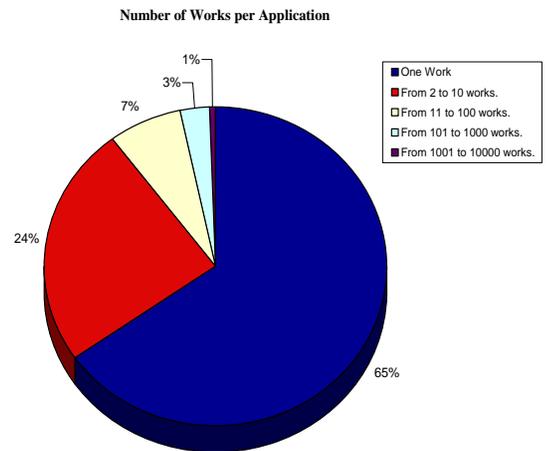
<sup>117</sup> For this empirical analysis, a small number (5) of single applications resulting in multiple licences have been treated separately.

each year. Applications concerning architectural works skew the statistics, however.



**Figure 1: Applications per year**

12,640 different works. That is because some applicants filed a single request for multiple works. Though 65% of applicants sought to use only 1 work, 24% applied to use between 2 and 10 works and 7% applied to use between 11 and 100. Some applicants have sought licences for scores of works at the same time. In a handful of cases, applications were made for a licence or licences covering thousands of works.



**Figure 2: Works per application**

Since the Board amended its policies concerning these works in 2007,<sup>118</sup> the number of applications being filed decreased substantially. Removing applications involving architectural plans from the analysis reveals a more moderate growth rate for all applications.

Though there have been 421 applications filed up to the time of this report, those applications pertained to roughly

<sup>118</sup>Pursuant to the *Policy of the Copyright Board of Canada re: Issuing Licences For Architectural Plans Held in Municipal Archives*, <<http://cb-cda.gc.ca/unlocatable-introuvables/municipal-municipales-b.pdf>> the Board ceased issuing licences for architectural plans, even though this type of work is protected by copyright, for 2 reasons: (1) in most cases, the contemplated uses either constitute fair dealing for the purpose of research or would be covered by an implied licence; (2) subsection 32.1(1) of the Act provides that a municipality that supplies copies of plans pursuant to an access to information request does not violate copyright. Most Canadian municipalities are subject to access to information legislation.

## B. Results of Applications

About half of all applications to the Board for orphan works eventually resulted in a grant of a licence. The Board had granted 230 licences by the end of 2008.<sup>119</sup> The proportion of licences granted versus applications made does not mean that the Board often denied applications. In fact, only 5 applications have been formally rejected. The following chart illustrates the outcome of all applications for licences dealt with by the Board.

As shown in Figure 3, 22.2% of applications were abandoned because the copyright owner was found, usually with the help of the Copyright Board, and often with the help of collective societies. That collective societies have helped to locate copyright owners in Canada is consistent with comments made to the US Copyright Office, which suggest that orphan works situations appear less frequently where rights are administered collectively.<sup>120</sup>

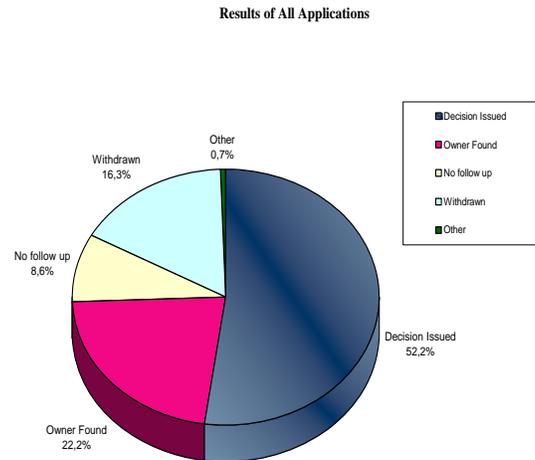


Figure 3: Results of applications

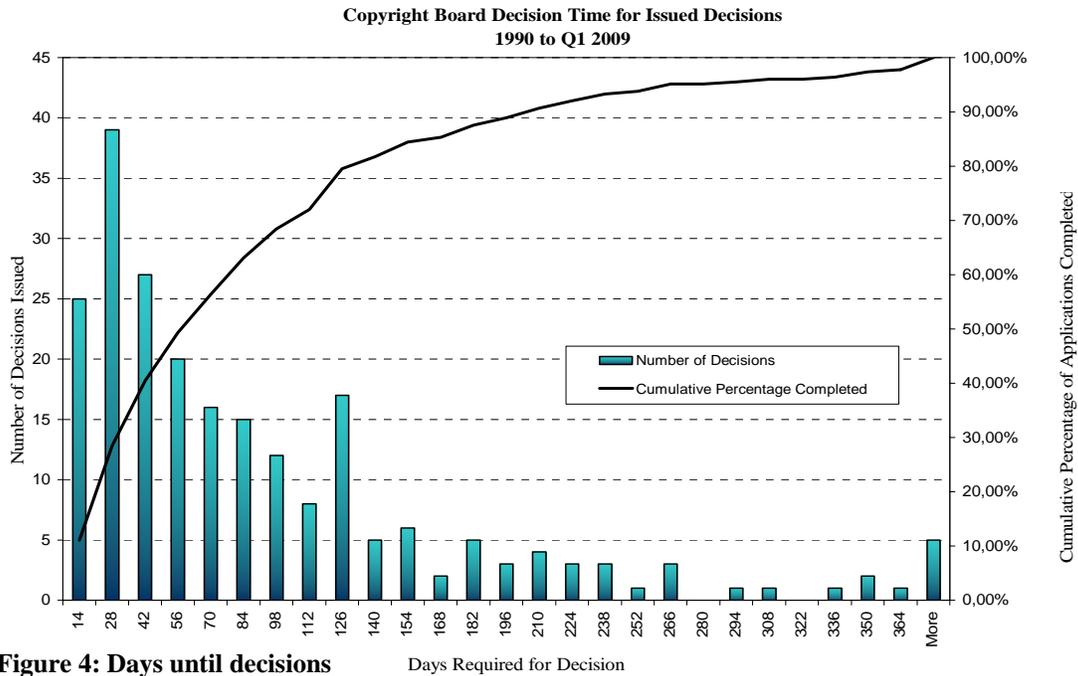
Only a very small percentage of applications have been formally rejected. These rejections were usually because no licence was required, or because the applicant had failed to prove that the work had been published. The data indicates that 16.3% of applications were withdrawn, while another 8.6% were apparently abandoned. There seems to be no systematic reason for this. Some applicants consider the Board's search requirements too rigorous and decide to manage the risk of infringement rather than to meet the Board's standards. Others are advised that their application would be rejected on the basis of jurisdictional or other grounds. Yet others, without telling the Board, decide not to make the use for which they applied, or eventually locate the copyright owner. The data pertaining to withdrawn or abandoned applications, where no decision was issued, is incomplete. There has been no standard cutoff point at which a Board has deemed applications to be abandoned. As such, no reliable conclusions can be drawn about the length of time applicants waited before withdrawing or abandoning their applications.

<sup>119</sup> This number does not correspond exactly with the number of entries on the Copyright Board's website. The website includes a few additional entries, reflecting for example, a small number of amended and/or interim licences. In other cases, the website contains only a single entry for multiple related licences.

<sup>120</sup> US Report, *supra* note 1 at 31.

### C. Application Processing Times

The analysis in this section is necessarily impressionistic. A number of substantive



methodological hurdles could not be factored into the analysis, given the nature of the raw data. Furthermore, not all files proceed in the same fashion, making it difficult to generalize about timelines. For instance, we chose to count the time it takes to deal with an application when the application is first received. However, many applications are incomplete when received; considerable time can elapse before applicants respond to the Board’s requests for additional information, resulting in delays that significantly skew the data presented below. In addition, apparently simple applications sometimes raise complex issues. We made no effort to identify these particular files or to account for them as statistical outliers.

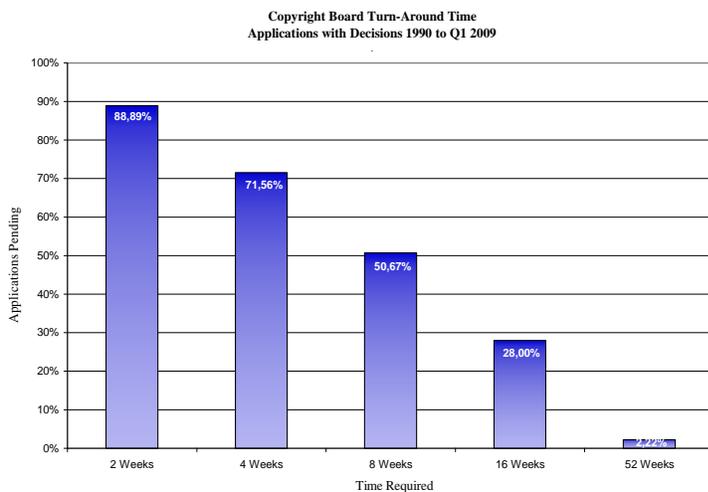


Figure 4 depicts only applications for which the Board issued a decision (usually, successful applications). About a half (49%) of the cases took less than 8 weeks to decide. In 1/5 of cases, the Board took between 2 and 4 months to reach a decision, and 4 decisions (about 2%) took more than a year to be issued. 12% of decisions were issued within 2 weeks of receiving an application, while just over 1/4

of all decisions took less than 1 month. It is possible to illustrate the same information somewhat differently. While the bars on Figure 4 show the number of days taken to reach decisions, the bars on Figure 5 show the percentage of applications still outstanding after periods of 2, 4, 8, 16 and 52 weeks. About half of the applications are still pending after 8 weeks and slightly less than 3/4 of decisions are issued within 16 weeks.

No relationship was found between the number of applications at a given time and the length of time taken to issue decisions. Despite the increase in the number of applications between 1990 and 2008, the Board did not take any more or less time on average to issue decisions.

The apparent decrease in processing time recently (shown at the tail end of the Figure 7) may result from the emergence of applications for licences to use architectural plans. As illustrated below, there was almost no difference in the processing time required to handle applications to use artistic, literary or musical works. By contrast, applications to use architectural works were completed in about 1/4 the time of applications to use other works.

Analysis of the data depicted in Figure 8 revealed that the Board processed applications for non-commercial uses of works more quickly than it processed applications for commercial uses. The median number of days required to reach a decision was 47 in the case of non-commercial applications and 63 for commercial applications. Three quarters of non-commercial applications were decided in less than 98 days, while the same proportion of commercial applications took 126 days, which is 4 weeks longer. The gap between commercial and non-commercial applications is near its widest at the 75<sup>th</sup> percentile. In other words, though there is clearly a difference, the statistic just cited

Comparison of Median Decision Time  
Top Five Categories

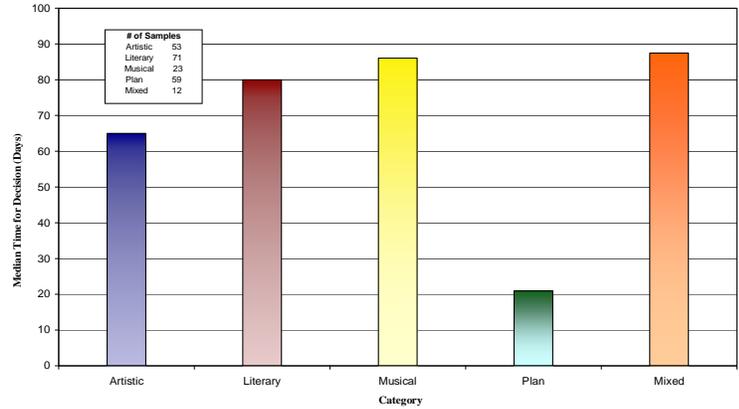


Figure 6: Days required for decisions per category of work

Time Required to Issue a Decision  
1990 to Q1 2009

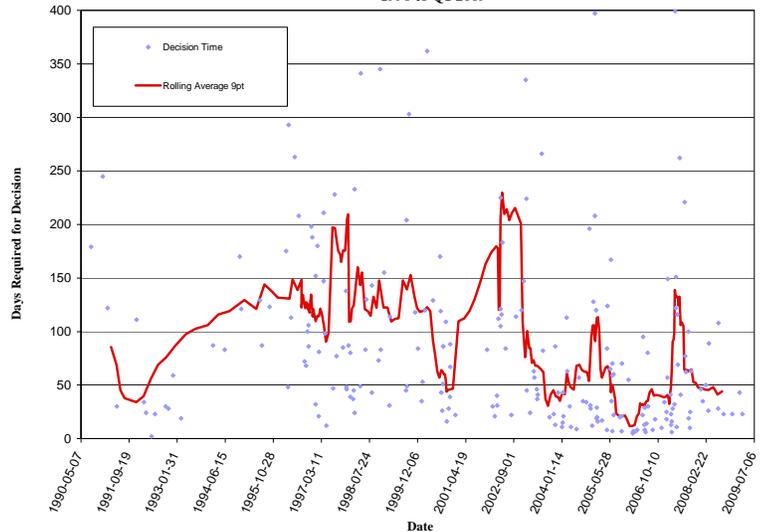
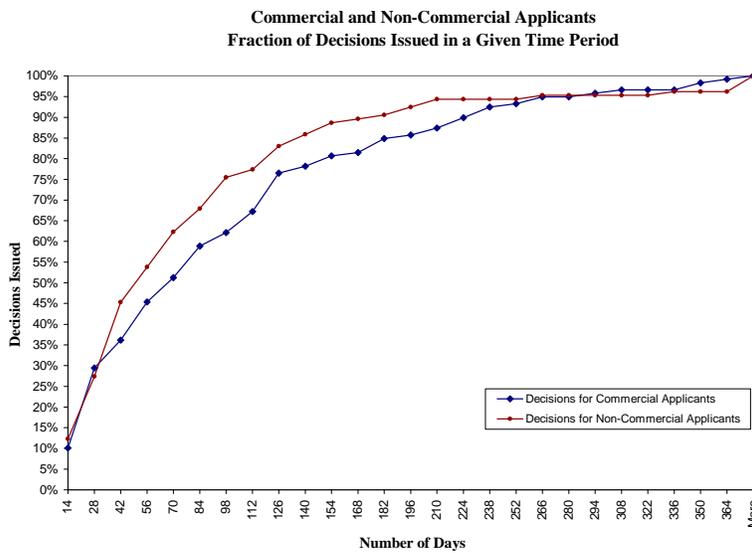


Figure 7: Application processing time, year by year



may overstate the magnitude of that difference. Data also shows that a higher proportion of commercial applications than non-commercial applications took longer than 5 months to decide.

**Figure 8: Days until decision, commercial and non-commercial**

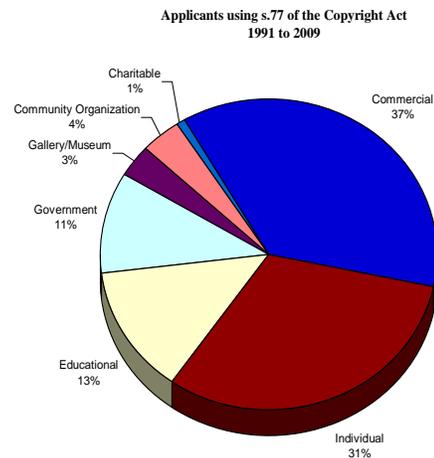
Anecdotal evidence suggests that the factors most to likely influence the time required to deal with an application are: (a) the number of works involved, (b) the likelihood that the works are still in copyright, (c) the notoriety of the work or author, (d) the number and identity of the rights holders and the complexity of their dealings in the relevant market, (e) the applicant’s sophistication on copyright issues, (f) the importance of the contemplated use, (g) the speed at which collectives and applicants can respond to Board inquiries and (h) Board workload in other areas.

An additional factor that is difficult to capture quantitatively is the complexity of the issues triggered by an application under section 77. Finally, it must be emphasized again that delays in processing applications are often attributable to applicants’ inactivity, not the Board processes. On occasion applicants have taken weeks or months to respond to the Board’s correspondence regarding a file, resulting in delays that significantly skew the data presented above.

**D. Nature of Applicants, Works and Proposed Uses**

Analysis revealed several interesting observations about the nature of applicants who tend to use section 77. The US Report categorized users who encounter orphan works problems according to the nature of their uses: subsequent creators who produce derivative works; libraries, archives or museums who undertake large-scale access projects; enthusiasts who use works for specialized purposes; and members of the general public who use works privately.<sup>121</sup>

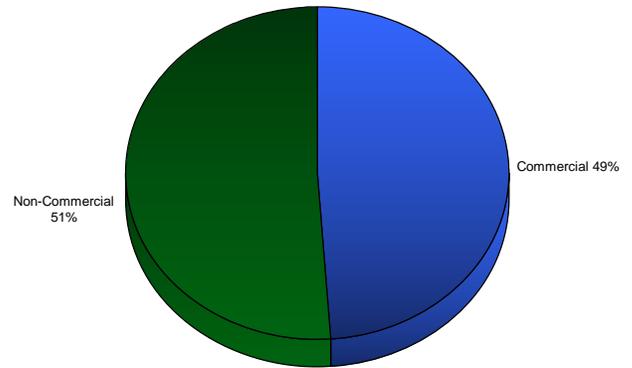
Considering available data, we classified applicants differently for this study. Though it was often difficult to distinguish among categories of applicants, it can be said the most applicants have been



**Figure 9: Classification of applicants**

<sup>121</sup> US Report, *supra* note 1 at 36-40.

Distribution of Commercial and Non-Commercial Applications  
1990 to Q1 2009



commercial entities. Businesses account for 37% of all applications, while individual applicants follow closely behind at 31%. Educators or educational institutions constituted 13% of all applicants, government agencies 11%, galleries and museums 3%, and community organizations 4%. Charitable groups made up for the remaining 1% of applications.

As well as categorizing files based on the nature of the applicant, it was possible to differentiate between applications for commercial and non-commercial uses.

Figure 10: Proposed use

Slightly more applications have been filed for proposed non-commercial purposes.

A separate analysis was undertaken to distinguish between the type of work or works at issue in an application. The majority of applications were received for ‘literary’ and ‘artistic’ works (over 60% combined). For this study, books, poems, letters, and scripts, as well as documents on microfiche or CD, were treated as literary works. The category of artistic works included among other things photographs, paintings, graphics, drawings and illustrations. The graph below shows the relative distribution of the types of copyright-protected material in demand by applicants.

Though technically, architectural plans may also be considered artistic works, plans have been separated for the purpose of this study. Before 2001 there were no applications for

Category of Work per Single Application\*  
1990 to Q1 2009

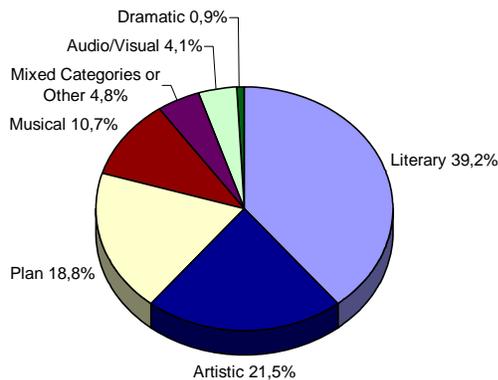


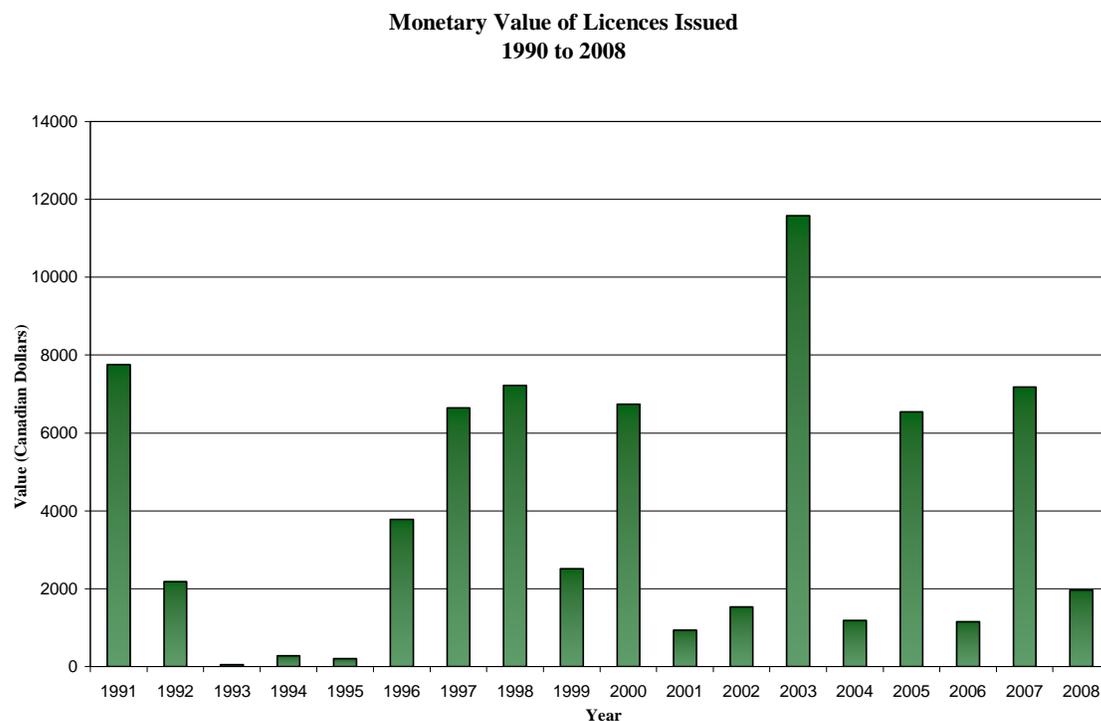
Figure 11: Categories of work per application

plans, but nevertheless, they constitute 18.8% of applications over the entire period studied. The Board began receiving such applications after two Canadian municipalities, the Cities of Calgary and Ottawa, refused to provide copies of plans to persons wishing to conduct home renovations without a letter of express permission from the copyright owner. Staff directed residents to the Board if the owner

was unlocatable. This had put substantial demand on Board resources. Because of the strain, and because in almost all cases licences to reproduce plans held in municipal archives were unnecessary, the Board has recently stopped considering such applications.<sup>122</sup>

Just under 5% of applications involved multiple categories of copyright-protected subject matter. In some cases, a single application was made in respect of several different works from different categories. For example, an applicant seeking to use a newspaper article may also include a request to use an accompanying photo. It should also be noted that for the purposes of this classification, applications were only classified as musical where, in addition to the underlying musical work, the applicant required permission for the sound recording or the performer’s performance.

### E. Value of Royalties for Licences Issued



**Figure 12: Value of licences per year**

The total royalties paid or payable for all licences issued since the system was created is just under \$70,000. The exact figure of \$69,622,68 does not account for licences where rates were set at a number of cents per copy made or where rates were tied to sales, as data on the number of copies actually made or sold is unavailable in many cases.

<sup>122</sup> Copyright Board of Canada, *Policy of the Copyright Board of Canada re: Issuing Licences For Architectural Plans Held in Municipal Archives*, online: Copyright Board of Canada <<http://www.cb-cda.gc.ca/unlocatable/municipal-b.pdf>>. The time the Board took to issue the policy was in part due to its desire to avoid applicants being caught between two administrative agencies applying conflicting policies. Since the Board issued its policy, no applications involving architectural plans have been filed.

Contingent and Non-Contingent Licence Fees  
1990 to Q1 2009

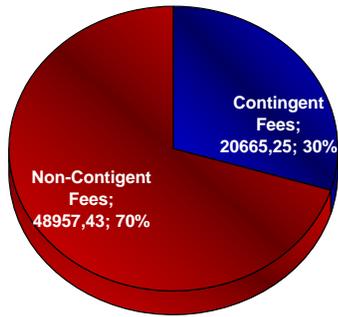


Figure 13: Contingency of royalties

However, the total amount of royalties generated by such licences is believed to be a few thousand dollars. There is no obvious pattern in the royalties generated per year.

As explained above, in some cases, the Board has required that royalties be paid only if the copyright owner comes forward within the 5-year period provided for by statute. About 30% of licence fees payable were contingent on locating the copyright owner. In the remaining cases, royalties were payable to a collective society.

Access Copyright (formerly CanCopy) took in most of these non-contingent royalties. Payments have also been directed to societies representing visual artists in many cases. The bar graph below illustrates how non-contingent royalty payments have been allocated to various collective societies.

Value of Licences Allocated to Collectives (1990-Q1 2009)

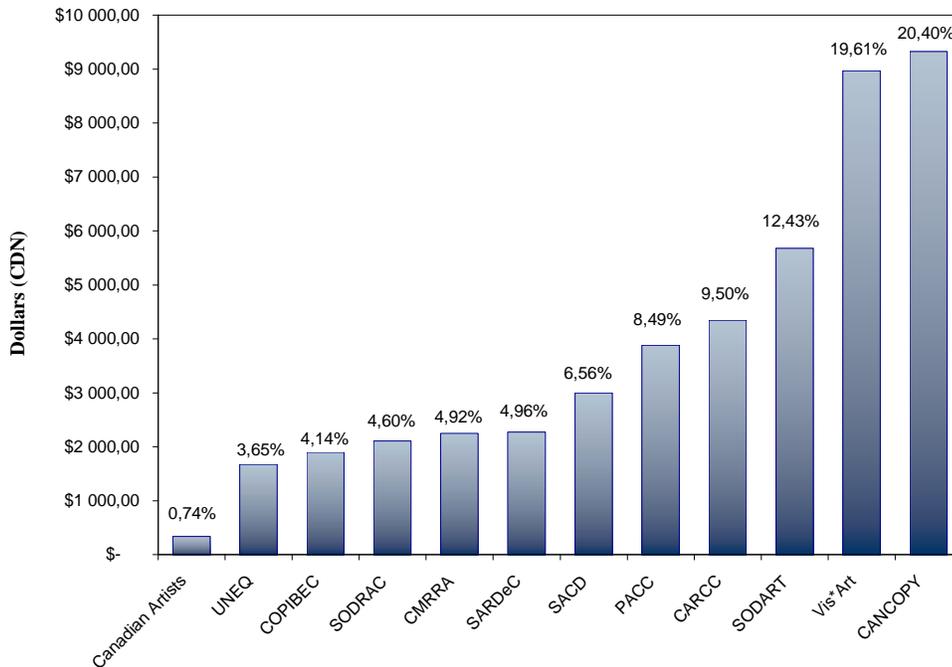


Figure 14: Distribution of royalties

## IV. Conclusions

After reviewing hundreds of comments, holding several public roundtables and more private meetings, the authors of the US Report concluded that legislation is necessary to provide a meaningful solution to the very real problems posed by orphan works.<sup>123</sup> They rejected a system requiring government involvement because it would entail more resources and efforts than are readily available without providing offsetting benefits.<sup>124</sup>

That the Canadian system was given short shrift, and not seriously considered as a viable policy alternative in the US, might call into question whether it is an appropriate solution in Canada. Moreover, some entities contemplating mass digitization of works are attracted to the level of certainty the Canadian approach can provide, and have commented favourably on it. Still, many questions remain about the interpretation, administration and effectiveness of Canada's system for licensing the works of unlocatable copyright owners.

In these writers' opinion, this confirms the need for further study and analysis of the Canadian experience. This legal and empirical analysis has provided a basis on which to begin consideration of the merits of the Canadian approach. Prior to this report, there had been little or no consideration of section 77 of Canada's *Copyright Act*, which deals with the licensing of orphan works on behalf of unlocatable copyright owners. The first step in addressing that deficiency was to examine the practices of the Copyright Board since the inception of this licensing system.

To that end, we identified, catalogued and organized all applications that have been made to the Board pursuant to section 77. We reviewed these applications in the context of the law governing the issuance of licences, and reported on some of the key legal and practical issues to have arisen. We also conducted a statistical analysis of data generated from our review, and reported our empirical observations about how the section 77 regime has functioned.

As explained at the outset of this report, our purpose was not to evaluate the Board's policies and practices, address alternative solutions to the orphan works issue or consider how the Canadian system might apply elsewhere. We have, however, included references to major foreign reports on the problem of orphan works in order to demonstrate how Canada's current system is perceived in other jurisdictions. Our intentions were to lay the groundwork for further study of the orphan works problem, and to provide a basis for possible recommendations for improving the fairness and efficiency of Canada's current regime.

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<sup>123</sup> US Report, *supra* note 1 at 92-93.

<sup>124</sup> US Report, *supra* note 1 at 95.