

Million Dollar Verdicts! Why You Need to Know Who Owns the Copyright to the Construction Documents

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In September of last year a jury in Norfolk, Virginia returned a \$5.2 million verdict against Virginia builders who used the designs of an architectural firm without permission to construct more than 300 homes. A California jury awarded \$7.7 million a year earlier in a dispute over a truck stop's floor plan. These jury verdicts and others for copyright infringement of architectural works are getting the attention of builders, developers, owners, and architects who are coming to appreciate the significance of changes made to the U.S. Copyright laws about 10 years ago. The focus of this article is to highlight the basic provisions of copyright law which protect architectural works, and to address some contractual considerations in negotiating ownership of the copyright.

Architectural Works Protection Copyright Act of 1990

A copyright is a form of government-sponsored protection that applies to "original works of authorship" which are "fixed in" a "tangible medium." The Copyright Act generally gives the copyright owner the exclusive right to reproduce the work, to prepare derivative works based on the copyrighted work, to sell copies of the work, and to prevent others from using or exploiting the work. Before the amendments to the Copyright Act in 1990, copyright protection did not extend to buildings themselves, but only to the plans and specifications. While it was unlawful to duplicate plans without authorization from the architect, it was generally permissible for a person to copy the "look" of a building.

Under the Architectural Works Protection Copyright Act of 1990, the ability to build copycat buildings was restricted. Congress specified that architectural works are subject to copyright protection. "Architectural Works" include "the design of a building as embodied in any tangible medium of expression, *including a building*, architectural plans, or drawings." Those guilty of infringement are subject to statutory damages of up to \$100,000 per infringement, attorneys' fees, an injunction, and disgorgement of profits made on a project.

Benefits of Copyright Registration

Although registration of the construction documents is not a prerequisite for copyright protection, the Copyright Act provides several benefits for those who promptly register, including: (1) it establishes a public record of the copyright; (2) it is a necessary prerequisite to filing a copyright infringement lawsuit; (3) if made within three months after publication of the work or prior to an infringement, increased damages and attorney's fees can be recovered against an infringer.

Who Owns the Copyright

Generally, even without registering the work, the person who creates an original work owns the copyright. However, there are a number of exceptions. For example, there may be a factual question as to whether one who prepares the work is acting as an employee or an independent contractor. If the person is an employee, then the work is deemed a "work for hire" and the employer owns the copyright. If the person is a consultant, typically a written work for hire agreement is required to ensure the hiring party retains ownership. There may also be an issue as to who owns the copyright when the contract documents involve submissions from several trades. For example, the plans may consist of the drawings from the architect, the structural design from the engineer, and the electrical drawings from the electrician. Absent a contractual term to the contrary, each party contributing to the work may be a joint owner of the copyright entitled to the use of and profits from exploitation of the work. In the case of joint works, each contributor has the right to use the whole work without permission from the others, subject to an obligation to provide an accounting of profits to the others.

Contractual Considerations

To avoid any confusion as to who owns the copyright, the parties should clarify the ownership issue in their contracts. There are a number of reasons for wanting to clarify who owns the copyright.

Controlling the Use: An often used standard form contract is published by the American Institute of Architects ("AIA"). Not surprisingly, the AIA favors the architect. It restricts the owner's reuse of the contract documents and states that the architect retains the copyright. Thus, the owner/developer has a "license" to use the plans to construct the building. Absent an agreement to the contrary, this license does not allow the owner/developer to construct other buildings using the plans. This single-use license allows the architect to earn a fee for any additional uses of the plans. The architect also retains the right to use the plans for another owner/developer in constructing another housing development. Thus, if the owner/developer wishes to prevent third-parties from building unauthorized copies of the houses, the owner/developer may want to insist on ownership of the copyright to the plans. For example, a homeowner may want to ensure that the custom home he or she is building is truly a custom home, not to be duplicated. Similarly, a developer may want to ensure that its homes have a distinct look, not to be copied by a competitor.

Insuring Payment: An architect may insist on ownership of the copyright to the plans as a way to insure payment from its clients. The contract may specify that the architect gives a license to construct the derivative work (*i.e.*, the building) only after payment in full of all fees. Any attempt to construct the building absent full payment may entitle the architect to initiate a copyright infringement lawsuit and seek an injunction (halting construction) for unauthorized copyright infringement. While the architect may have mechanic's lien rights on the project, the threat of an injunction gives the architect additional leverage. From the owner/developer's perspective, this threat is good reason to insist upon ownership of the copyright.

Indemnification: Regardless of which party owns the copyright, an owner/developer should seek written assurances that the design and plans are the original work of the architect and an agreement that the architect will indemnify the owner/developer from any claims of copyright infringement by third parties.

Employment Clarification: The contractual relationship between the employer and employee is also important to remove doubt as to the ownership of the copyright. To avoid claims by employees who may claim to be joint owners of the copyright, employers should obtain signed "work for hire agreements" from all persons contributing to the plans. Similarly, a developer who hires designers or architects as employees should ensure

that they have appropriate signed work for hire agreements in place.

Conclusion

Copyright registrations for construction documents are on the rise and litigation over infringement will likely follow suit. While it may seem easy to avoid copying the designs of others, whether a building infringes a copyright often involves a variety of factual disputes, because buildings that are "substantially similar" may give rise to a claim for copyright infringement. By retaining experienced counsel to assist in contract drafting and negotiations, the parties can be in a better position to prevent unauthorized duplication of homes or buildings and curtail the costs of unexpected litigation.

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Practice Areas

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