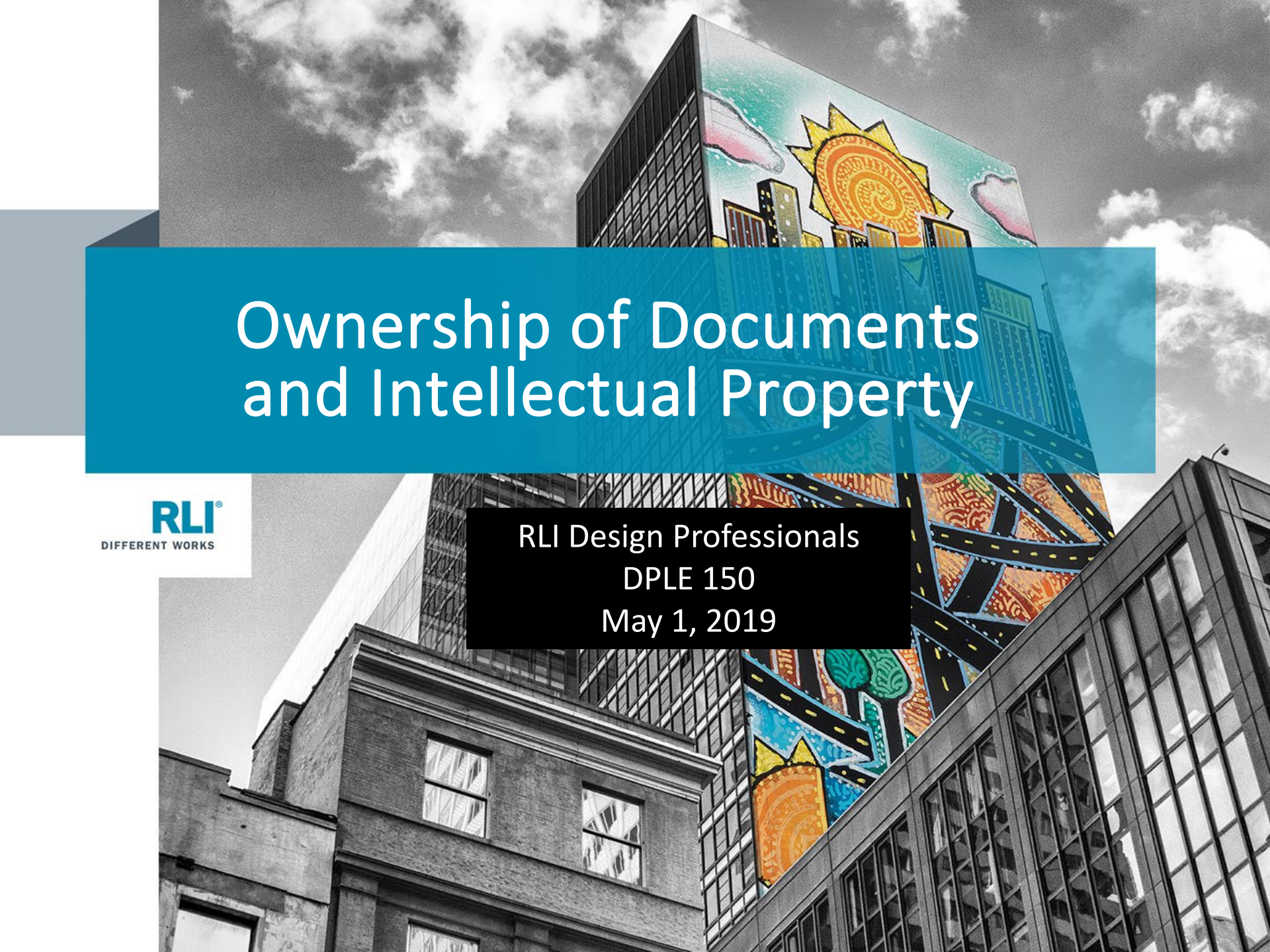

Ownership of Documents and Intellectual Property

RLI Design Professionals
DPLE 150
May 1, 2019

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Course Description

Yours, Mine, or Ours?

Owners often take the position that because they are paying for the plans and specifications, they should own them. Design professionals are concerned that the work be paid for and that the plans not be used improperly. Issues relating to ownership and use of plans arise if the design professional is terminated or leaves the project before completion. Or, what happens if an employee leaves the firm? Who owns the documents?

In this course we will explore the complicated issues around ownership of documents and intellectual property and how to address these issues with your client.

Learning Objectives

Participants in this session will:

1. Gain an understanding of how ownership of documents and ownership of intellectual property differ;
2. Learn what it means to transfer ownership of documents and intellectual property;
3. Review contract language that may be problematic; and
4. Consider contract language that may protect design professionals if they are terminated from a project, leave the project before it is completed, or an employee leaves the firm.

Definition

Intellectual Property

Creations of the mind.

- inventions;
- literary and artistic works; and
- symbols, names and images used in commerce

What Is Protected?

Ownership

Absent a contractual agreement to the contrary, you're entitled to certain rights with respect to your intellectual property.

- The right to use
- The right to distribute
- The right to enforce

Intellectual Property Rights

4 Categories:

Copyright	Protects literary and artistic works (“works of authorship”)
Patent	Protects inventions
Trademark	Protects symbols, images, and names used in commerce (business name and logo)
Trade Secret	Protects proprietary and confidential business information

Copyright – Protected Subject Matter

Section 102(a)

Defined in Title 17 of the Copyright Act, sec 101 as:

Copyright protection subsists…in original works of authorship fixed in any tangible medium of expression…which can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) Literary works;
(2) Music works, including accompanying words;
(3) Dramatic works; including accompanying music;
(4) Pantomimes and choreographic works;
(5) Pictorial, graphic, and sculptural works;
(6) Motion pictures and other audiovisual works;
(7) Sound recordings; and
(8) Architectural works.

Copyright – Protected Rights

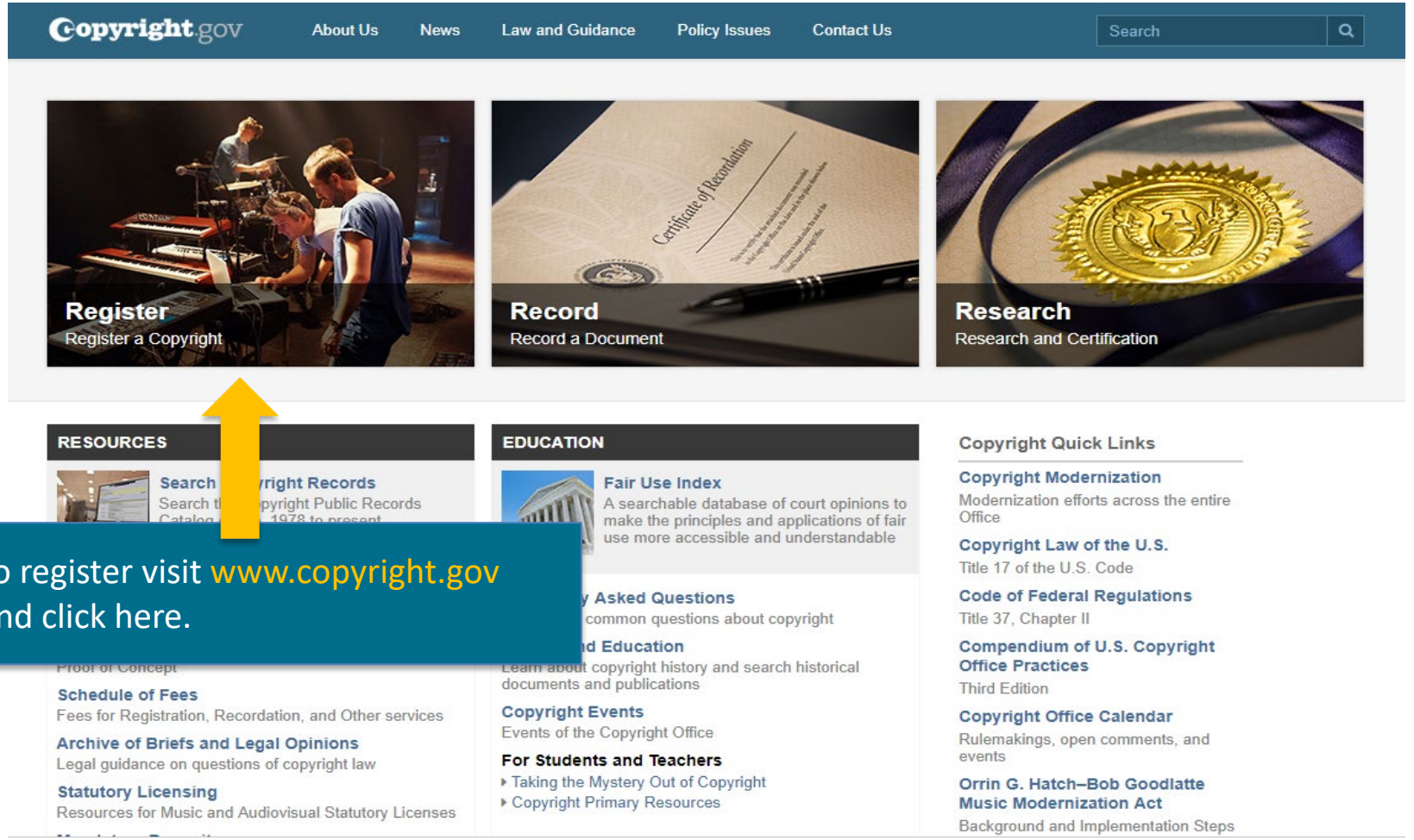
Section 106

Defined in Title 17 of the Copyright Act, sec 106 as:

Subject to sections 107 through 122, the owner of the copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) Reproduce the copyrighted work in copies or phonorecords;
(2) To prepare derivative works based upon the copyrighted works;
(3) To distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
(4) …to perform the copyrighted work publicly;
(5) …to display the copyrighted work publicly; and
(6) …to perform the copyrighted [sound recording] publicly by means of digital audio transmission.

Registering Your Copyright



To register visit www.copyright.gov and click here.

For more information visit https://www.copyright.gov/

Who Owns Your Instruments of Service?

General Rule:

Absent a contractual agreement to the contrary, the creator or "author" of a work owns the copyright to their work. Some exceptions apply, such as for:

- Work made for hire
- Joint authorship

Work For Hire (WFH)

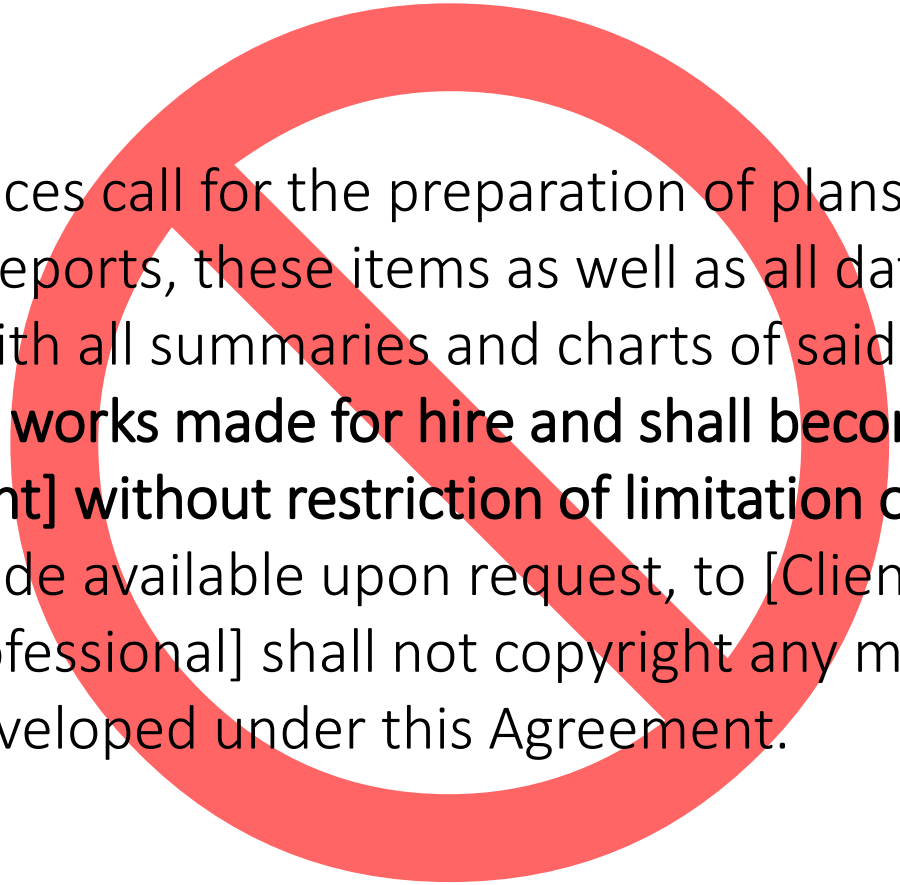
Work Made For Hire

Defined in Title 17 of the Copyright Act, sec 101 as:

(1) A work prepared by an employee within the scope of his or her employment; or

(2) A work specially ordered or commissioned for use… if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

Sample Language



When services call for the preparation of plans, specifications, maps and reports, these items as well as all data collected, together with all summaries and charts of said data, shall be considered **works made for hire and shall become the property of [the Client] without restriction of limitation on their use**; and shall be made available upon request, to [Client] at any time. [Design Professional] shall not copyright any material or product developed under this Agreement.

Joint Authorship

Joint Work

Defined in Title 17 of the Copyright Act, sec 101 as:

> A work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.

Granting IP Rights

License v. Ownership

The rights you grant your client define your ownership or lack thereof in your designs.

You have full rights

You have no rights

Granting a nonexclusive license to the Client helps you maintain your IP rights.

Granting an exclusive license to the Client places limitations on your rights.

Granting ownership to the Client is a relinquishment of your rights.

Case Law #1

Kipp Flores Architects, LLC (KFA)

Design Professional

→

Hallmark Design Homes, LP

Client

Design professional files a suit against client for copyright infringement, alleging Client exceeded the limited license they were granted under the Contract.

Kipp Flores Architects LLC v. Hallmark Designs Homes, L.P., 2011 U.S, Dist. LEXIS 4816 (S.D. Tex., Jan. 19., 2011).

License for Single Use

Contract terms

Design professional gave Client limited license to build a single house from plans. Additional licenses available for purchase according to the following schedule:

Non-reproducible media- single unit construction only included	
Reproducible media (provides license to construct 10 unites)	1,000.00
License for construction of additional units may be purchased:	
Each repeat construction (*separately purchased*)	$200.00
3 additional licenses (*advance purchase*)	500.00
5 additional licenses (advance purchase)	600.00
10 additional licenses (advance purchase)	1,000.00
All plans copyright protected.	

Kipp Flores Architects LLC v. Hallmark Designs Homes, L.P., 2011 U.S, Dist. LEXIS 4816 (S.D. Tex., Jan. 19., 2011).

Ruling for Case Law #1

Design professional awarded

$3.2 million

for copyright infringement

Kipp Flores Architects LLC v. Hallmark Designs Homes, L.P., 2011 U.S, Dist. LEXIS 4816 (S.D. Tex., Jan. 19., 2011).

CLIENT CONCERNS

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Client Risks

Risks include:

Use without payment
Owner/Client may use your designs without paying you in full.

Misuse
Your designs are used on other projects or for other purposes.

Use without your involvement
Use without your involvement increases the likelihood of error.

Infringement
Your use of the designs may be considered infringement.

Managing Client Risk

Mitigate risk by clarifying the following:

- License to use is granted only when paid in full
- Documents are project-specific; not for reuse
- Reuse without your involvement at Client's sole risk
- Indemnification

Ownership

AIA B101-2017 §7.2

“

The [Design Professional] and the [Design Professional’s] consultants shall be deemed the authors and owners of their respective Instruments of Service, including the Drawings and Specifications, and shall retain all common law, statutory and other reserved rights, including copyrights….

”

Ownership of Documents

EJCDC E-500 (2014)

“All Documents are instruments of service, and Engineer shall retain an ownership and property interest therein (including the copyright and the right of reuse at the discretion of the Engineer) whether or not the Project is completed.”

Non-Exclusive License

AIA B101-2017 §7.3

> The [Design Professional] grants to the Owner a nonexclusive license to use the [Design Professional's] Instruments of Services solely and exclusively for purposes of constructing, using, maintaining, altering and adding to the Project, provided that the Owner substantially performs its obligations under this Agreement, including prompt payment of all sums due pursuant to Article 9 and Article 11…If the [Design Professional] rightfully terminates this Agreement for cause as provided in Section 9.4, the license granted in this Section 7.3 shall terminate.

Non-Exclusive License

AIA B101-2017 §7.3

"The [Design Professional] grants to the Owner a nonexclusive license to use the [Design Professional's] Instruments of Services solely and exclusively for purposes of constructing, using, maintaining, altering and adding to the Project, provided that the Owner substantially performs its obligations under this Agreement, including prompt payment of all sums due pursuant to Article 9 and Article 11…If the [Design Professional] rightfully terminates this Agreement for cause as provided in Section 9.4, the license granted in this Section 7.3 shall terminate."

Unauthorized Use

AIA B101-2017 §7.4

“

Except for the licenses granted in this Article 7, no other license or right shall be deemed granted or implied under this Agreement. The Owner shall not assign, delegate, sublicense, pledge, or otherwise transfer any license granted herein to another party without the prior written agreement of the [Design Professional]. Any unauthorized use of the Instruments of Service shall be at Owner’s sole risk and without liability to the [Design Professional] and the [Design Professional’s] consultants.

”

Release & Indemnification

AIA B101-2017 §7.3.1

"In the event the Owner uses the Instruments of Service without retaining the authors of the Instruments of Service, the Owner releases the [Design Professional] and the [Design Professional's] consultant(s) from all claims and causes of action arising from such uses. The Owner, to the extent permitted by law, further agrees to indemnify and hold harmless the [Design Professional] and its consultant(s) from all costs and expenses, including the cost of defense, related to claims and causes of action asserted by any third person or entity to the extent such costs and expenses arise from the Owner's use of the Instruments of Service under this Section 7.3.1..."

Release & Indemnification

AIA B101-2017 §7.3.1

"In the event the Owner uses the Instruments of Service without retaining the authors of the Instruments of Service, the Owner releases the [Design Professional] and the [Design Professional's] consultant(s) from all claims and causes of action arising from such uses. The Owner, to the extent permitted by law, further agrees to indemnify and hold harmless the [Design Professional] and its consultant(s) from all costs and expenses, including the cost of defense, related to claims and causes of action asserted by any third person or entity to the extent such costs and expenses arise from the Owner's use of the Instruments of Service under this Section 7.3.1…"

Case Law # 2

Strutt Group Incorporated

Project Owner

Nelson-Salabes, Incorporated (NSI)

Design Professional

Project Suspended

Morningside Development, LLC

New Project Owner

EDG Architects

New Design Firm

Design firm awarded over $700k in damages when a new project owner terminates the firm and continues to use their designs without the firm's involvement in the project.

Nelson-Salabes, Inc. v. Morningside Development, LLC, 284 F.9d 505 (4th Cir. 2002).

License to Use

> The Architect's Drawings, Specifications or other documents shall not be used by the Owner or others on other projects, for additions to this Project, or for completion of this Project by others unless the Architect is adjudged to be in default under this Agreement, except by agreement in writing and with appropriate compensation to the Architect.

Nelson-Salabes, Inc. v. Morningside Development, LLC, 284 F.9d 505 (4th Cir. 2002).

Ruling for Case Law #2

Design professional awarded

$736,000

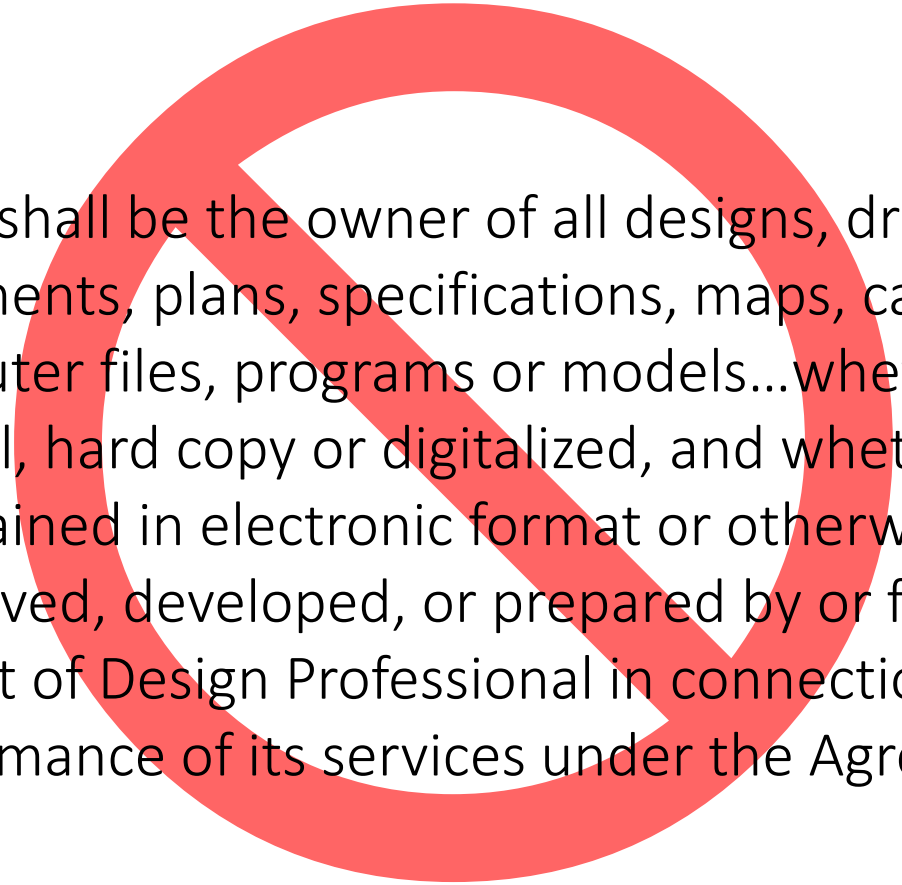
for copyright infringement

Nelson-Salabes, Inc. v. Morningside Development, LLC, 284 F.9d 505 (4th Cir. 2002).

Quiz #1

> Client shall be the owner of all designs, drawings, documents, plans, specifications, maps, calculations, computer files, programs or models…whether draft or final, hard copy or digitalized, and whether maintained in electronic format or otherwise, made, conceived, developed, or prepared by or for the benefit of Design Professional in connection with the performance of its services under the Agreement.

Answer #1



“Client shall be the owner of all designs, drawings, documents, plans, specifications, maps, calculations, computer files, programs or models…whether draft or final, hard copy or digitalized, and whether maintained in electronic format or otherwise, made, conceived, developed, or prepared by or for the benefit of Design Professional in connection with the performance of its services under the Agreement.”

EMPLOYEES CONCERNS

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Attribution

Code of Ethics and Professional Conduct:

Failure to give proper attribution to the work of your colleagues may be a violation of your code of ethics and professional conduct.

Proper Attribution

What credit can a departing employee or collaborator claim?

When hiring an employee with previous work experience, how should you characterize their experience?

AIA Rules of Conduct
(American Institute of Architects)

Rule 4.201

Members shall not make misleading, deceptive, or false statements or claims about their professional qualifications, experience, or performance and shall accurately state the scope and nature of their responsibilities in connection with work for which they are claiming credit.

AIA Rules of Conduct
(American Institute of Architects)

Rule 5.301

Members shall recognize and respect the professional contributions of their employees, employers, professional colleagues, and business associates.

AIA Rules of Conduct
(American Institute of Architects)

Rule 5.302

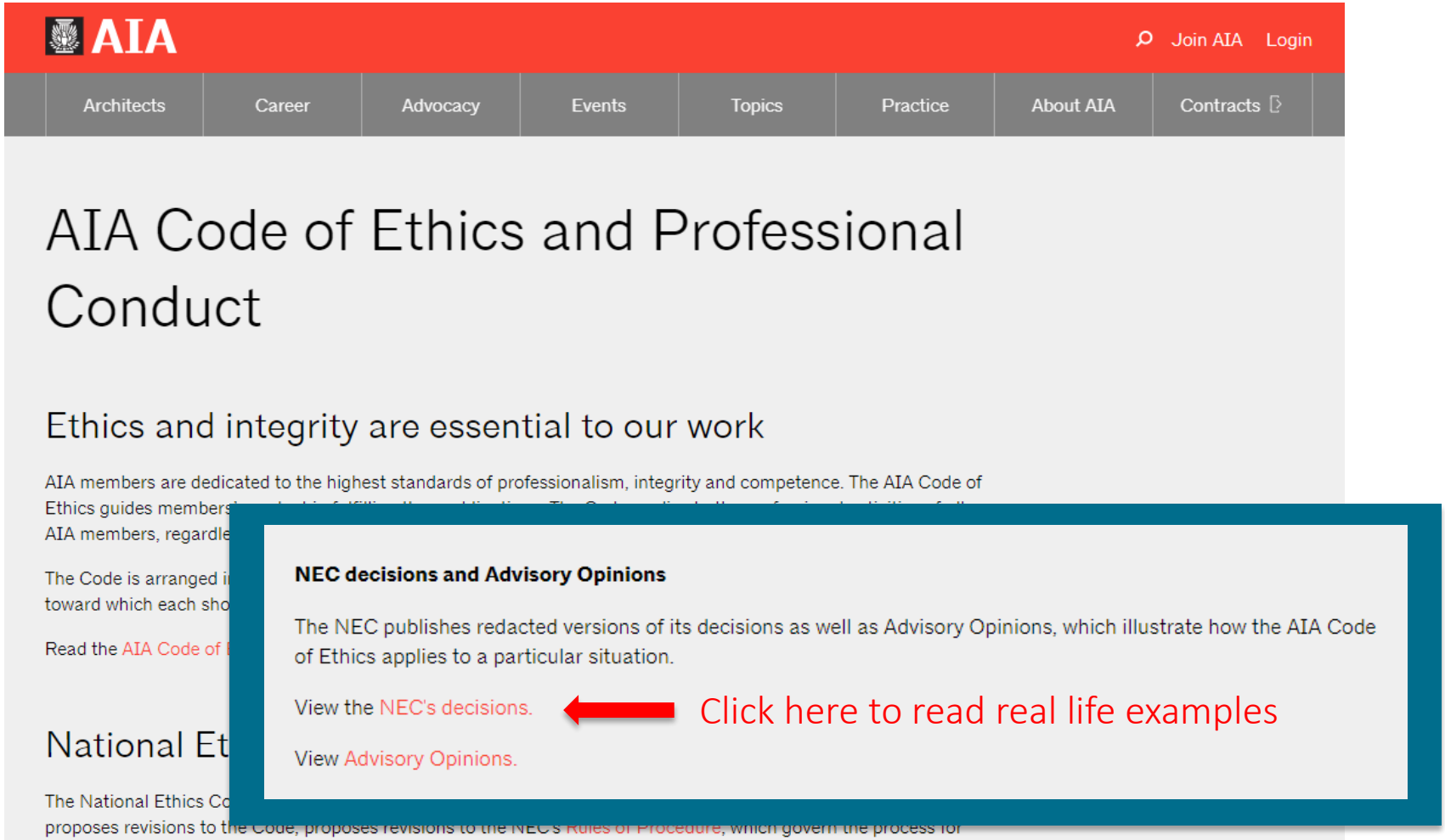
Members leaving a firm shall not, without the permission of their employer or partner, take designs, drawings, data, reports, notes or other materials relating to the firm's work, whether or not performed by the Member.

AIA Rules of Conduct
(American Institute of Architects)

Rule 5.303

A Member shall not unreasonably withhold permission from a departing employee or partner to take copies of designs, drawings, data, reports, notes, or other materials relating to work performed by the employee or partner that are not confidential.

NEC Decisions
(AIA National Ethics Council)



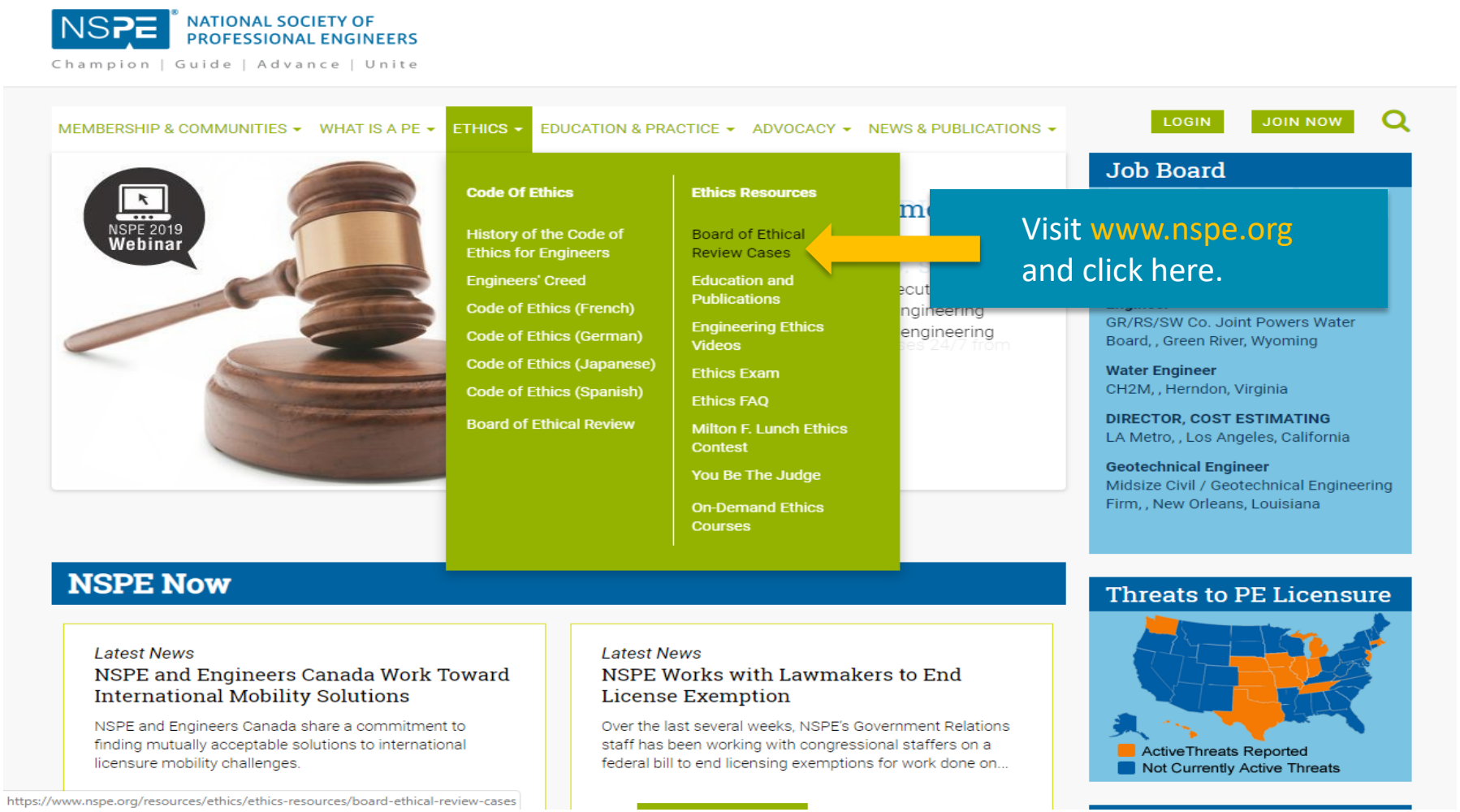
www.aia.org/pages/3296-code-of-ethics-and-professional-conduct

NSPE Code of Ethics
(National Society of Professional Engineers)

III Professional Obligations.

9. Engineers shall give credit for engineering work to those to whom credit is due, and will recognize the proprietary interests of others.

BER Decisions
(NSPE Board of Ethical Review)

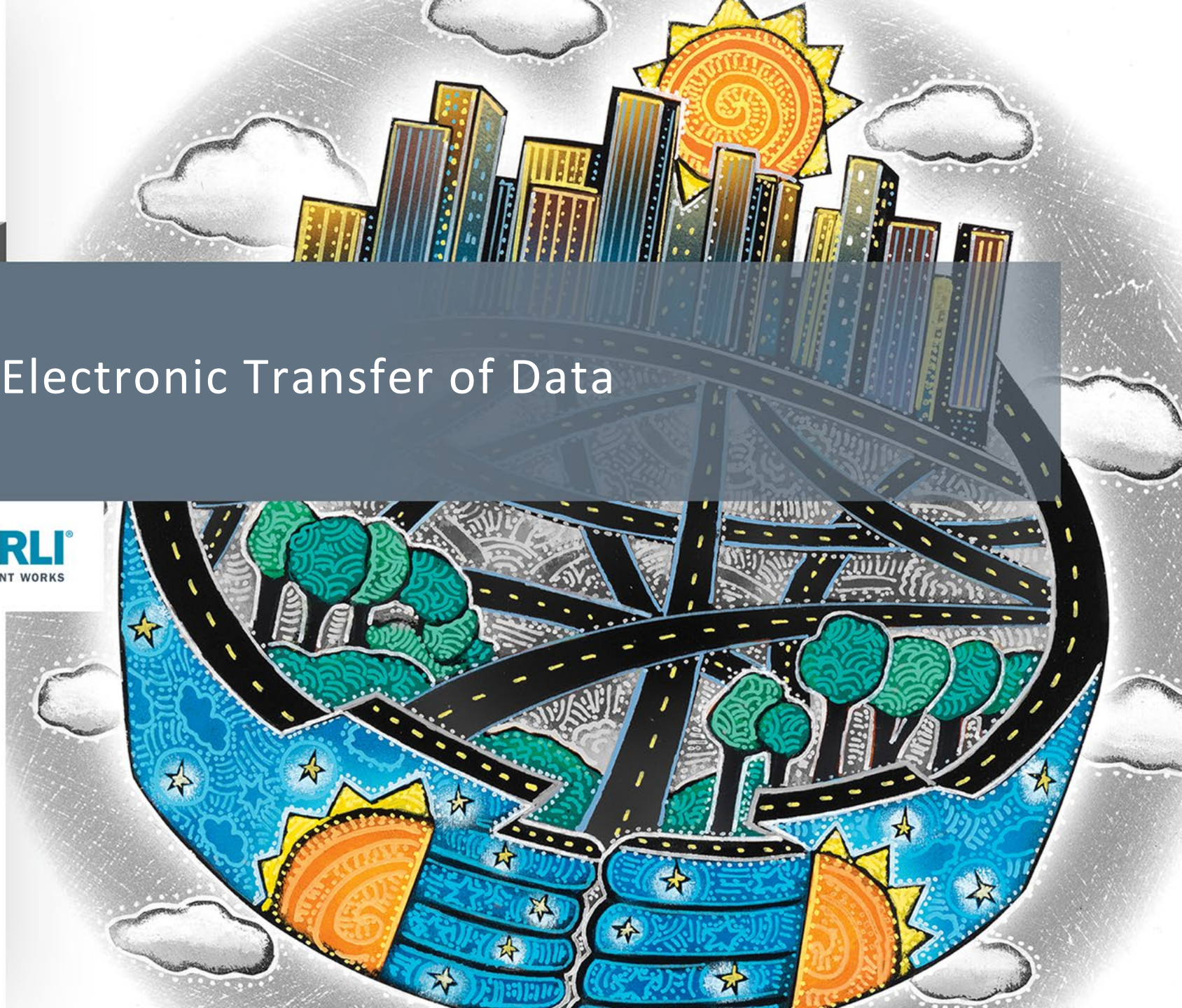


Proper Attribution

Mitigate risk by clarifying the following:

- Clearly defined roles
- Acknowledge major team participants
- Obvious, visible, and legible statement
- Allocation of credit in written agreement

Electronic Transfer of Data



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Digital Data

Reuse/Misuse

Drawings are reused without your permission.

Loss of Control

Drawings are modified or conveyed to others.

Corruption

Information is corrupted due to incompatibility issues, etc.

Electronic Documents

AIA E203-2013 §2.3

“By transmitting Digital Data, the transmitting Party does not convey any ownership right in the Digital Data or in the software used to generate the Digital Data. Unless otherwise granted in a separate license, the receiving Party’s right to use, modify, or further transmit Digital Data is specifically limited to designing, constructing, using, maintaining, altering and adding to the Project consistent with the terms of this Exhibit, and nothing contained in this Exhibit conveys any other right to use the Digital Data.”

Receiving Digital Data

Mitigate risk by clarifying the following:

Make sure the Transmitting Party…

- Owns or has permission to transmit
- Separate authorization to transmit confidential data

Electronic Documents

AIA E203-2013 §2.1

“

The transmission of Digital Data constitutes a warranty by the Party transmitting Digital Data to the Party receiving Digital Data that the transmitting Party is the copyright owner of the Digital Data or otherwise has permission to transmit the Digital Data for its use on the Project in accordance with the Authorized Uses of Digital Data established pursuant to the terms of this Exhibit.

”

Electronic Documents

AIA E203-2013 §2.2

“

If a Party transmits Confidential Digital Data, the transmission of such Confidential Digital Data constitutes a warranty to the Party receiving such Confidential Digital Data that the transmitting party is authorized to transmit the Confidential Digital Data…

”

Lessons Learned

1 ## General Rule on Copyright Ownership

Unless there is an agreement to the contrary, the Author owns copyright unless: (1) work made for hire or (2) work of joint authorship.

2 ## Contract Terms

Clarify that (1) you own the intellectual property rights to your designs and instruments of services; (2) Client is granted a limited license; (3) no reuse, misuse or use without your involvement is permitted; (4) release and indemnity.

3 ## Proper Attribution

Clarify that (1) you own the intellectual property rights to your designs and instruments of services; (2) Client is granted a limited license; (3) no reuse, misuse or use without your involvement is permitted; (4) release and indemnity.

4 ## Transfer of Electronic Data

Specify the permitted uses of Digital Data and confirm the transmitting party's authority to transmit and use Digital Data, especially where confidential information is involved.

Thank you for your time!

QUESTIONS?

This concludes The American Institute of Architects Continuing Education Systems Program

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