



CONSTRUCTION LAW UPDATE

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IF YOU BUILD IT, THEY MAY SUE!

by Vincent J. Paluzzi



In these litigious times, every builder is advised to be aware of the applicability and effect of The Architectural Works Copyright Protection Act of 1990 (the "Architectural Works Act").¹ A builder who does not own or has not secured an adequate license to use, or who exceeds the scope of any applicable license to use, copyrighted architectural (or engineering) plans and drawings used to construct one or more projects may violate the Architectural Works Act. Moreover, a builder who constructs a building which is identical or substantially similar to another building for which the design is protected by copyright, **even if not based upon any illegally copied plans and drawings**, may violate the Architectural Works Act. In addition to being subject to an injunction against completing an infringing project, a builder who violates the Architectural Works Act may be liable to the copyright owner for actual damages, which may be measured by the fair market value of the infringed plans and drawings, as well as the profits received as a result of the infringement.² Where the infringing project is a large commercial building, or a multi-unit residential development, such profit-based damages could be financially devastating.

LEGISLATIVE HISTORY

The Architectural Works Act was enacted by Congress to strengthen copyright protection for architectural plans and drawings. Prior to enactment of the Architectural Works Act, architectural plans and drawings were eligible for protection under the Copyright Act as a category of "pictorial, graphic and sculptural works,"

which were defined to include "technical drawings, diagrams and models."³ Commensurate with the protection afforded such works, however, the scope of copyright in architectural plans and drawings was limited to the literal plans and drawings themselves, and did not extend to the designs embodied in such plans and drawings.⁴ Thus, prior to enactment of the Architectural Works Act, the owner of copyright in architectural plans and drawings could enjoin unpermitted copying of the plans and drawings, but, in the absence of such copying, could not enjoin construction of a building which was identical or substantially similar to the design embodied in those same plans and drawings.⁵

Because the design of a building is readily apparent to the trained eye, either upon inspection of the building itself or from floor plans, elevations and schematics contained in sales literature, and because the primary utility of architectural plans and drawings is in the design they embody, copyright protection for such works prior to enactment of the Architectural Works Act was deemed to be relatively weak and of questionable value. By enactment of the Architectural Works Act, Congress extended greater protection to such works. "Architectural works" are now defined as "the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings."⁶ Copyright protection for architectural works now includes "the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features."⁷ Regulations promulgated

under the Architectural Works Act define unprotectable standard features to include "[s]tandard configurations of spaces, and individual standard features, such as windows, doors, and other staple building components."⁸

CURRENT SCOPE OF PROTECTION OF ARCHITECTURAL WORKS

With the passage of the Architectural Works Act, building designs, in addition to architectural plans and drawings, are now protectable by copyright. Thus, the construction of a building which is identical or substantially similar to a copyrighted building design, **even if not based upon any illegally copied plans and drawings**, may be actionable under the Architectural Works Act.⁹ The Architectural Works Act applies to any architectural work created on or after December 1, 1990, and any architectural work which, on December 1, 1990, was unconstructed and embodied in unpublished plans or drawings.¹⁰ In other words, building designs are protectable unless the underlying plans and drawings were first published¹¹ before December 1, 1990, or the subject building was constructed before December 1, 1990.¹² Moreover, architectural plans and drawings that were published after March 1, 1989 are not required to bear any notice of copyright in order to be protected.¹³

A builder who infringes the copyright in an architectural work is liable, at the election of the copyright owner, for either "the copyright owner's actual damages and any additional profits of the infringer," or statutory damages.¹⁴ "Actual damages" are defined in the Copyright Act as the "actual damages suffered ... as a result of the infringement, and any profits of the infringer that are attributable to the infringement[.]"¹⁵ In establishing profit, the plaintiff only needs to submit proof of the infringer's gross revenue; the burden is on the infringer to prove "deductible expenses," and any "elements of profit attributable to factors other than the copyrighted work."¹⁶

The fair market value of copyrighted plans and drawings has been awarded as actual damages in a number of cases.¹⁷ However, because the Copyright Act allows for recovery of actual damages and any profits of the infringer, courts have not hesitated to also award the profits received by defendants as a result of their unpermitted use of infringing plans and drawings to construct buildings.¹⁸ Where infringing plans and drawings are used to construct a large commercial building, or

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a multi-unit residential development, or where such a project infringes the design embodied in copyrighted plans and drawings **regardless of whether those plans and drawings have been illegally copied**, such profit-based damages could be enormous.

OWNERSHIP OF ARCHITECTURAL WORKS

Many, if not most builders do not own the architectural plans and drawings (or the designs embodied therein) used to construct one or more projects. Copyright ownership "vests initially in the author or authors of the work."¹⁹ Many, if not most builders are not licensed architects and, therefore, cannot and do not author architectural plans and drawings.²⁰ However, in the case of a "work made for hire", the "employer or other person for whom the work was prepared" is deemed to be the author, and, unless the parties expressly agree otherwise in a signed writing, "owns all of the rights comprised in the copyright."²¹ A "work made for hire" is defined in the Copyright Act to include "a work prepared by an employee within the scope of his or her employment[.]"²² Thus, the copyright in any architectural plans and drawings prepared by a licensed architect-employee of a builder is owned by that builder, absent an express agreement to the contrary.

In many, if not most cases, architectural plans and drawings are commissioned from independent contractor architects or architectural firms. Such architectural plans and drawings are not "works made for hire."²³ Rather, such plans and drawings are owned by their author (the architect), and a builder would not own the copyright in such plans and drawings (or in the designs embodied

therein) unless the parties have entered into an assignment or other transfer of ownership.²⁴ Mere transfer of ownership or possession of the physical plans and drawings themselves does not, in and of itself, transfer any rights in the copyright embodied therein.²⁵ Transfer of copyright, other than by operation of law, requires "an instrument of conveyance, or a note or memorandum of transfer ... in writing and signed by the owner of the rights conveyed[.]"²⁶

The issue of copyright ownership involving architectural plans and drawings is typically addressed in a written agreement between the architect and his or her client.²⁷ In the absence of an agreement, or where the agreement is silent on the issue, courts have held, based upon "industry custom", that an architect retains the copyright in his or her plans and drawings.²⁸ Frequently, the agreement between the architect and his or her client is based upon AIADocument B 141 ("Standard Form of Agreement Between Owner and Architect"), which presumably is indicative of such industry custom. The 1997 edition of that document provides, in pertinent part, as follows:

1.3.2 INSTRUMENTS OF SERVICE

1.3.2.1 Drawings, specifications and other documents, including those in electronic form, prepared by the Architect and the Architect's consultants are Instruments of Service for use solely with respect to this Project. The Architect and the Architect's consultants shall be deemed the authors and owners of their respective Instruments of Service and shall retain all common law, statutory and other reserved rights, including copyrights.

1.3.2.2 Upon execution of this Agreement, the Architect grants to the Owner a nonexclusive license to reproduce the Architect's Instruments of Service solely for purposes of constructing, using and maintaining the Project, provided that the Owner shall comply with all obligations, including prompt payment of all sums when due, under this Agreement. The Architect shall obtain similar nonexclusive licenses from the Architect's consultants consistent with this Agreement. Any termination of this Agreement prior to completion of the Project shall terminate this license. Upon such termination, the Owner shall refrain from making further reproductions of Instruments of Service and shall return to the Architect within seven days of termination all originals and reproductions in

the Owner's possession or control. If and upon the date the Architect is adjudged in default of this Agreement, the foregoing license shall be deemed terminated and replaced by a second, nonexclusive license permitting the Owner to authorize other similarly credentialed design professionals to reproduce and, where permitted by law, to make changes, corrections or additions to the Instruments of Service solely for purposes of completing, using and maintaining the Project.

13.2.3 Except for the licenses granted in Subparagraph 1.3.2.2, 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 Architect. However, the Owner shall be permitted to authorize the Contractor, Subcontractors, Sub-subcontractors and material or equipment suppliers to reproduce applicable portions of the Instruments of Service appropriate to and for use in their execution of the Work by license granted in Subparagraph 1.3.2.2. Submission or distribution of Instruments of Service to meet official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication in derogation of the reserved rights of the Architect and the Architect's consultants. The Owner shall not use the Instruments of Service for future additions or alterations to this Project or for other projects, unless the Owner obtains the prior written agreement of the Architect and the Architect's consultants. Any unauthorized use of the Instruments of Service shall be at the Owner's sole risk and without liability to the Architect and the Architect's consultants. [(emphasis supplied).]

As evidenced by AIA Document B 141, architects frequently grant only a non-exclusive, limited license to use and reproduce their plans and drawings solely for purposes of constructing, using and maintaining a particular project. Use of such plans and drawings for other projects, or even for future additions or alterations to the original project, are prohibited without further written agreement of the architect. Any unauthorized use of such plans and drawings (or of the designs embodied therein) would infringe the architect's copyright and violate the Architectural Works Act, thus exposing the infringer to the damages discussed above.

PRECAUTIONARY MEASURES

As a precautionary measure, a builder should not assume that an architect is the author or owner of the plans and drawings furnished for a particular project, as it is possible that such plans and drawings (or the designs embodied therein) may have been impermissibly copied, in whole or in part, from one or more architectural works owned by third parties. In such circumstances, the builder and the architect may be liable to the copyright owner(s) as co-infringers.²⁹ In order to avoid such potential liability, builders are advised to obtain appropriate contractual representations and warranties, and indemnification, regarding potential infringement of third-party rights. An illustrative clause for use in conjunction with AIADocument B 141 would provide as follows:

Architect hereby represents and warrants that all architectural plans and drawings (and the designs embodied therein) furnished in connection with this Project wholly consist of the original authorship of Architect and its employees and consultants, and that Architect owns the copyright in all of such works, or, if that is not the case, that Architect has obtained all agreements, assignments, transfers and licenses which are necessary or appropriate to enable Architect to grant a non-exclusive license to the Indemnitees (as hereinafter defined) to use and reproduce such plans and drawings (and the designs embodied therein) for purposes of constructing, using and maintaining this Project.

Architect shall defend, indemnify and hold harmless Owner, Contractor, Subcontractors, Sub-subcontractors, and material and equipment suppliers ("Indemnitees") from and against all claims, liabilities, losses, costs, expenses, judgments, executions and damages (including reasonable attorneys' fees) imposed on, incurred by or asserted against such Indemnitees, or any of them, in any claim, action or proceeding alleging that any of such Indemnitee's use and reproduction of such plans and drawings (or the designs embodied therein) pursuant to such license infringes any patent, trademark, trade secret, copyright or other proprietary right of any third party.

This article provides general information only and should not be taken or used as legal advice for any specific situation, which depends on evaluation of precise factual circumstances.

ENDNOTES

¹ Pub. L. No. 101-650, 104 STAT. 5133-34 (eff. Dec. 1, 1990).

² In an appropriate case, a court also has discretion to compel an infringing builder to pay the copyright owner's costs of suit and attorney's fees. See 17 U.S.C. § 505.

³ 17 U.S.C. § 101; 102(a)(5). See, e.g., Demetriades v. Kaufman, 580 F.Supp. 658, 663 n.6. (S.D.N.Y. 1988). Engineering plans and drawings are also eligible for copyright protection, provided that they are "original." See 17 U.S.C. § 102(a). The test for originality is a low threshold. The United States Supreme Court has stated that there only need be "some creative spark, no matter how crude, humble or obvious it might be." Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340, 345 (1991).

⁴ See, e.g., Robert R. Jones Associates, Inc. v. Nino Homes, 858 F.2d 274, 280 (6th Cir. 1988) ("[o]ne may construct a house which is identical to a house depicted in copyrighted architectural plans, but one may not directly copy those plans and then use the infringing copy to construct the house.")

⁵ See Demetriades v. Kaufman, *supra*, 680 F.Supp. at 664.

⁶ 17 U.S.C. § 101, 102(a)(8) (emphasis supplied). Notwithstanding the protection afforded building designs under the Architectural Works Act, however, such protection does not prevent the making, distribution or display of photographs, paintings or other pictorial representations of any building located in or visible from a public place, or the alteration or destruction of any building. 17 U.S.C. § 120.

⁷ 17 U.S.C. § 101

⁸ 37 C.F.R. § 202.11(d)(2). Although no definition of "standard configurations of spaces" can be found in the statute or regulations, it is assumed that configurations of spaces dictated by functionality, space limitations or applicable uniform building codes would not be protected. Nonetheless, an original arrangement of components which may not be subject to protection individually is protectable. See Arthur Rutenberg Homes, Inc. v. Maloney, 891 F.Supp. 1560, 1566 (M.D. Fla. 1995) and cases cited therein.

⁹ Absent direct evidence of copying, which is rare, copyright infringement can be established circumstantially, by demonstrating access to the copyrighted work and substantial similarity between the copyrighted work and the accused work. See, e.g., Value Group, Inc. v. Mendham Lake Estates, L.P., 800 F.Supp. 1228, 1232 (D.N.J. 1992). The test for access is not rigorous; all that need be shown is a "reasonable possibility of access," or an "opportunity to view the copyrighted work." Ferguson v. Nat'l Broadcasting Co., Inc., 584 F.2d 111, 113 (5th Cir. 1978). Indeed, access

may be presumed with respect to any copyrighted building design which is located in or visible from a public place.

Similarity is determined by a comparison of the two works. A court first analyzes the similarity of ideas extrinsically by focusing on objective similarities in the details of the works. If there is substantial similarity in ideas, similarity of expression is evaluated intrinsically, depending upon the response of an ordinary, reasonable person to the forms of expression. See, e.g., Midway Mfg. Co. v. Bandai-America, Inc., 546 F.Supp. 125, 138 (D.N.J. 1982), aff'd 775 F.2d 70 (3d Cir. 1985), cert. den. 475 U.S. 1047 (1986); Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc. 797 F.2d 1222, 1232 (3d Cir. 1986), cert. den. 479 U.S. 1031 (1987). The "essential inquiry" for similarity of expression is "whether the total concept and feel of the works in question are substantially similar." Hartman v. Hallmark Cards, Inc., 833 F.2d 117, 120-21 (8th Cir. 1987).

¹⁰ Pub. L. No. 101-650, Sec. 706.

¹¹ "Publication" under the Copyright Act is the "distribution of copies ... of a work to the public by sale or other transfer of ownership, or by rental, lease or lending." 17 U.S.C. § 101. Publication of architectural plans and drawings is the subject of a substantial body of case law. The great weight of such authority holds that neither the distribution of architectural plans and drawings to contractors or subcontractors for building or bidding purposes, nor the submission or filing of such plans and drawings with governmental permitting authorities, constitutes publication. See, e.g., Intown Enterprises, Inc. v. Barnes, 721 F.Supp. 1263, 1265 (N.D. Ga. 1989) and cases cited therein; Bryce & Palazzola Architects & Associates, Inc. v. A.M.E. Group, Inc. 865 F.Supp. 401, 405-06 (E.D. Mich. 1994). Although construction of a building does not itself constitute publication, construction of multiple copies of a building may constitute publication. See 37 C.F.R. § 202.11(b)(5).

¹² See 37 C.F.R. § 202.11(d)(D)(3).

¹³ See Innovative Networks, Inc. v. Satellite Airlines Ticketing Centers, Inc., 871 F.Supp. 709, 720 (S.D.N.Y. 1995) (notice of copyright no longer required for works first published after effective date of Berne Convention Implementation Act of 1988.). The Berne Act was enacted as Pub. L. No. 100-568, 102 STAT. 2854 (eff. March 1, 1989).

¹⁴ 17 U.S.C. § 504(a). Statutory damages "for all infringements involved in the action" are currently fixed at not less than \$500.00 or more than \$20,000.00, "as the court considers just." 17 U.S.C. § 504(c)(1). Where the infringement is proved to be "willful," however, the court may increase statutory damages to not more than \$100,000.00. 17 U.S.C. § 504(c)(2). Attorney's fees may also be awarded in an appropriate case. See note 2, supra.

Statutory damages (and attorneys' fees) are recoverable only for infringements occurring after the date of issuance of a certificate of copyright registration for the infringed work. See 17 U.S.C. § 412(1). Once a registration certificate is issued, however, the copyright owner is entitled to relief, including an injunction and (non-statutory) damages, for both pre- and post-registration infringements. See Demetriades v. Kaufman, supra, 680 F.Supp. at 662.

¹⁵ 17 U.S.C. § 504(b).

¹⁶ Ibid. Section 504(b) was intended to serve the dual purpose of compensating a copyright owner for his or her actual losses and of preventing an infringer from benefitting from his or her wrongful act. See H.R. Rep. No. 1476, 94th Cong. 2d Sess. 161; 1976 U.S. Code Cong. & Admin. News, 5659, 5777.

¹⁷ See, e.g., Eales v. Environmental Lifestyles, Inc., 958 F.2d 876, 880 (9th Cir.), cert. den. 506 U.S. 1001 (1992); Intown Enterprises, Inc. v. Barnes, supra, 721 F.Supp. at 1266.

¹⁸ See, e.g., Robert R. Jones Associates, Inc. v. Nino Homes, supra, 858 F.2d at 280-81 (appellate court affirmed trial court's award of \$212,500.00 representing profits earned by the defendants on the sale of seven (7) houses built pursuant to infringing plans). See also, Eales v. Environmental Lifestyles, Inc., supra, 958 F.2d at 880-81; Intown Enterprises, Inc. v. Barnes, supra, 721 F.Supp. at 1266-67; Aitken, Hazen, et al. v. Empire Construction Co., 542 F.Supp. 252, 262-63 (D. Neb. 1982).

¹⁹ 17 U.S.C. § 201(a).

²⁰ The fact that a builder may have some input in the preparation of architectural plans and drawings does not render him or her an author or co-author. See, e.g., Aitken, Hazen, et al. v. Empire Construction Co., supra, 542 F.Supp. at 259 ("[I]nvolvement by a client in the preparation of architectural plans is normally expected ... Such involvement does not, however, render the client an 'author' of the architectural plans."). See also, M.G.B. Homes, Inc. v. Ameron Homes, Inc., 903 F.2d 1486, 1493 (11th Cir. 1990) (mere furnishing of conceptual sketches to the architect is not sufficient.). In order to constitute a "joint work", architectural plans and drawings must embody the contributions of two or more authors which are "merged into inseparable or interdependent parts of a unitary whole." 17 U.S.C. § 101. See also, M. Nimmer and D. Nimmer, Nimmer on Copyright (1989), § 6.04 at 6-11.

²¹ 17 U.S.C. § 201(b).

²² 17 U.S.C. § 101.

²³ In addition to works prepared by employ-

ees within the scope of their employment, the Copyright Act defines a "work made for hire" as a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. [17 U.S.C. § 101.]

Architectural plans and drawings do not meet this definition. See Bryce & Polazzola Architects, Inc. v. A.M.E. Group, supra, 865 F.Supp. at 404.

²⁴ See Meltzer v. Zoller, 520 F.Supp. 847, 854-55 (D.N.J. 1981); Kunycia v. Melville Realty Co., Inc., 755 F.Supp. 566, 573 (S.D.N.Y. 1990).

²⁵ 17 U.S.C. § 202. This is because "[o]wnership of a copyright ... is distinct from ownership of any material object in which the work is embodied. Ibid.

²⁶ 17 U.S.C. § 204(a).

²⁷ See Eales v. Environmental Lifestyles, Inc., supra, 958 F.2d at 878; Krahmer v. Luig, 127 N.J. Super. 270, 273 (Chanc. Div. 1974).

²⁸ See, e.g., Meltzer v. Zoller, supra, 520 F.Supp. at 856; Kunycia v. Melville Realty Co., supra, 755 F.Supp. at 572.

²⁹ As a general rule, co-infringers may be held jointly liable for actual damages suffered by the plaintiff, but not for the profits received by each co-infringer as a result of the infringement. See Alberhouse v. Ultragraphics, Inc., 754 F.2d 467, 471-72 (2d Cir. 1985); Pfanenstiel Architects, Inc. v. Chouteau Petroleum Co., 978 F.2d 430, 433 (8th Cir. 1992). Exceptions may be made where the infringement was "willful, or where the defendants were "engaged in a partnership, joint venture or other similar enterprise." 3 M. Nimmer, Nimmer on Copyright, (1984) § 12.04[c][3], at 12-50 to 51.

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