

## **COPYRIGHT OWNERSHIP**

### **JOHN WALTON AND RICHARD MAHON FROM BUDDLE FINDLAY OFFER SOME THOUGHTS ON COPYRIGHT IN CAD FILES**

CONSIDER THIS SCENARIO: John Smith, architect, has been working for several years on designing an apartment building for Huge Contracting Co Limited. The apartment building is already under construction, but John Smith falls out with Huge Contracting Co which subsequently relinquishes his services in the middle of construction. Huge then demands John's CAD files so that another architect can complete the work for a reduced fee.

In this situation, John needs to know what his rights and obligations are with regard to his CAD files. He will naturally be nervous at the idea that Huge might be able to use the files, at least without giving John adequate recompense. It would be useful for John to know some of the basic principles relating to property ownership and copyright in this situation.

Firstly, let's assume that John did not have a specific agreement with Huge as to who owns the copyright in the materials that John has produced. In this situation, John's rights will be governed by the general law.

It is important to note that there is a distinction between ownership of the "property" and ownership of the "copyright" in such items as drawings, plans and CAD files. It has long been established at law that the physical plans and drawings prepared by architects on behalf of a client are, in the absence of special agreement, the property of the client. Property in the drawings passes to the client upon payment of the agreed remuneration.

Nevertheless, it is equally well established that documents prepared in order to assist architects to carry out their duties remain their own property because the documents have not, in themselves, been created on behalf of the client. Thus, the client has never been entitled to demand memoranda, calculations, draft plans and other documents which the architect has prepared to assist him to carry out his duties. This basic rule would also appear to apply equally to preliminary CAD files used by John to produce drawings for Huge, unless they had opted to contract otherwise.

These basic propositions as to property ownership of physical files and documents are overlaid in New Zealand by the principles of copyright ownership set out in the Copyright Act 1994. The Copyright Act protects a wide range of works and CAD files are likely to attract copyright, provided that they are "original" in the sense of not being copied and that the architect has used some degree of independent skill and labour to produce the files. Ownership of the copyright in a work enables the owner to prevent others from copying or modifying the plans without consent.

The Copyright Act provides that the "author" of a work owns the copyright in that work, unless the work was produced on commission for a client. If there is no formal agreement, Huge would own the copyright in the work that it had commissioned and paid John to produce.

The position in relation to the CAD files is not so clear, and would depend on the deliverables under John's appointment. If the method and process of producing drawings was left entirely up to John, then Hugu could probably not assert ownership of the copyright in intermediate works such as rough sketch drawings or CAD files. If, however, Hugu was under an obligation to pay for the CAD files irrespective of any obligation to pay for final drawings, then it would have a better right to claim that it owns the copyright in the CAD drawings.

Although ownership of the copyright in the CAD files probably remains with John in this situation, Hugu would probably have an implied licence to use the CAD files for the purpose of completing the building. A client generally has an implied licence, in the absence of agreement to the contrary, to use the copyright material in the manner and for the purposes contemplated between the architect and the client at the time of the engagement. Again, this will depend on the circumstances. In some cases, for example, the courts have implied a licence from the architect which enabled the client to alter the design after the architect's engagement was terminated.

Now let's assume that John did in fact have a formal contract of engagement with Hugu. Most standard form contracts of engagement for architects contain express provisions governing ownership of documents and licensing of copyright to the client.

Under clause F1 of the NZIA Agreement for Architect Services – long form (AAS2) 2000, the contract documents and other materials written or provided by John in relation to the agreed services remain his property, even if the contract works for which they are made are not carried out or completed.

John's copyright ownership is also protected. Under clause F2, John owns the copyright in materials produced in relation to the agreed services such as drawings. Hugu is entitled to use those materials for the purposes of the project under licence. Under clause F2.1(c), where a client ends the agreement during any identified stage of the agreed services, the client can only use those copyright materials that are already completed. Hugu cannot use copyright materials for any partially completed stages unless John agrees in writing. It is therefore open to Hugu to use drawings that have been completed, but incomplete design packages would not be covered by the licence. This would need to be separately negotiated with John.

The remedies available for breach of copyright are damages and, in some cases, an injunction to restrain the breach. Damages are to a certain extent at the judge's discretion and they will not normally be very high because the basis from which damages are assessed is the sum that might fairly have been charged for a licence to use the copyright for the purposes for which it was used. A far more effective "remedy" for John would be to withhold his CAD files from Hugu on the grounds that producing CAD files was not part of the agreed services under the contract.

This is only a general summary of the law and copyright issues can often be fairly complex. What is clear is that John will be in a more certain position as to his rights if he has a formal

contract of engagement governing copyright ownership, and in particular the delivery of CAD files. Architects in John's position, with or without formal terms of engagement, should always be wary of handing over their CAD files to clients. Copyright in designs and ownership of the materials used to produce those designs are the bread and butter of an architect's trade, and should be jealously guarded.

*John Walton and Richard Mahon can be contacted at the Auckland Office of Buddle Findlay, 09 358 2555 (tel), 09 358 2055 (fax), or email: john.walton@buddlefindlay.com or richard.mahon@buddlefindlay.com.*