

# Copyright Infringement: Traps for the Unwary

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In today's economic climate, construction development remains unsteady. Owners continue to look for better value, both in terms of construction cost and design professional service and fees. These financial realities increase the likelihood that owners may switch affiliations and retain a new design professional during the course of a project. When such a change occurs, each of the parties on a construction project faces troublesome liability and copyright issues. Owners may face disputes with their previous design professional over payment of fees and ownership of design work product. Contractors may find themselves drawn into such disputes. For either the original or replacement design professional copyright infringement liability issues may become paramount in the decisions made with respect to a project. Thus, a familiarity with the legal test for creation and infringement of copyrights is a fundamental requirement for construction lawyers.

## CREATING COPYRIGHT PROTECTION

Federal copyright protection is created by statute. Although registration of copyrightable plans and drawings is permitted by the United States Copyright Office, "[s]uch registration is not a condition of copyright protection." 17 U.S.C.A. 408 (a). Certificates of copyright registration are prima facie evidence of the validity of copyrights. *CSM Investors, Inc. v. Everest Development, Ltd.*, 840 F. Supp. 1304, 1309 (D.Minn. 1994). Further, the existence of federal subject matter jurisdiction is generally conditioned on the registration of the copyright. 17 U.S.C.A. § 411(a). Thus, filing the application is in reality the first essential step to creating an enforceable copyright.

The applicant must also demonstrate that the material in question is "copyrightable." For most design works, this question may be fairly simple. Architectural design requires a great degree of original thinking and creativity. The actual degree of creativity required to meet the threshold test for copyrightable work is fairly minimal. *See Feist Publications, Inc. v. Rural Telephone Service, Co.*, 499 U.S. 340, 345, 113 S.Ct. 1282, 1287 (1991) (original, as term is used in copyright, means only that work was independently created by author, and that it possesses some minimal degree of creativity; requisite level of creativity is extremely low—even a slight amount will suffice).

By statute, copyright protection extends to original works of authorship, including "pictorial, graphic and sculptural works" as well as "architectural works." 17 U.S.C.A. §102(a) (5) & (8) (1996). An "architectural work" is defined as, "the design of a building as embodied in any tangible medium of expression, including a building, architectural plans or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include the individual standard features." 17 U.S.C.A. § 101 (1996). Therefore, architectural plans and drawings are protected by federal copyright law. *See Richard Homes Management, Inc. v. Raintree, Inc.*, 862 F. Supp. 1517 (W.D.Va. 1994), *aff'd in part, reversed in part*, 66 F.3d

316 (4th Cir. 1995); *GSM Investors, Inc. v. Everest Development, Ltd.*, 840 F. Supp. 1304, 1309 (D.Minn. 1994).

Copyright protection is even available for derivative works. Thus, where a new architect on a project uses a prior architect's design, but adds new features to it, copyright protection for the replacement architect extends to the newly added copyrightable features. *See Moore Pub., Inc. v. Big Sky Marketing, Inc.* 756 F. Supp. 1371 (D.Idaho 1990) (alterations in a work originally created by another may be copyrightable as a "derivative work" but copyright extends only to material contributed by author of such work, as distinguished from the preexisting material employed in the work). In order to qualify for separate copyright protection as a "derivative work," the additional matter injected into the previous work must constitute more than a minimal or trivial contribution. *Id.*

Technical drawings and solutions may raise a more difficult question. For example, a land surveyor who merely depicts existing property lines in his survey is probably not creating a copyrightable product. Technical engineering calculations may fall into the same category, while more elegant solutions to difficult HVAC conditions may be given copyright protection. Each case presents a unique situation that may be factually tested.

#### WHEN IS A COPYRIGHT REGISTERED?

Registration is not a prerequisite to the existence of a copyright. Filing an application for registration is, however, critical to the existence of federal subject matter jurisdiction. No action for infringement may be initiated until registration of the copyright is made in accordance with the terms of the copyright laws. 17 U.S.C.A. § 411 (a). As set forth below, registration of the copyright is also crucial to the nature of the damages available. Thus, the filing of an application is an important element of creation and protection of copyright interests.

The filing and processing of the application by the United States Copyright Office can take an extended period of time. Absent pressure from the applicant (along with a separate filing fee for expediting the application), such a copyright application generally takes many months for processing. Delays in processing and approving the application, however, do not work to the detriment of the party seeking copyright protection. The date of the creation of the copyright is deemed under the statute to be the filing date of the application. 17 U.S.C.A. § 410 (d).

The exact meaning of "registration" is not clearly defined in the United States Code as it applies to the question of when federal subject matter jurisdiction is created over copyright infringement cases. Not surprisingly, this question has been litigated in various courts with differing results. In the United States District Court for the Eastern District of Virginia, judge Cacheris recently ruled that the mere filing of the application for copyright was sufficient to confer federal jurisdiction over the existence and infringement of an alleged copyright. *See, Portico, Inc. v. Dr. Lillian Hunt*, Civil Action No. 95-878-A (unpublished opinion). In the Portico case, Judge Cacheris overruled defendant's motion

to dismiss.\* This ruling followed the previous reported decision of Judge Ellis in the same Court. *See, Secure Services Technology, Inc. v. Time and Space Processing, Inc.*, 722 F. Supp. 1354,1363-64 (E.D. Va. 1989).

A number of federal courts have agreed with this ruling" *Wilson v. Mr. Tee\_s*, 855 F. Supp. 679 (D.NJ. 1994); *Computer Associates Intern., Inc. v. Altai, Inc.*, 775 F. Supp. 544 (E.D.N.Y 1991). Other courts have ruled, however, that actual approval of the copyright application by the United States Copyright Office is necessary to trigger existence of a federal copyright and thus federal subject matter jurisdiction. *See, e.g., International Trade Management, Inc. v. United States*, 553 F. Supp. 402 (1982); *Hudson's Bay Co. New York, Inc. v. Seattle Fur Exchange Co.*, 15 U.S.P.Q. 2d 1316 (1990).

### **WHAT IS INFRINGEMENT?**

A plaintiff seeking to demonstrate copyright infringement must show that a valid copyright exists and that the material has been copied. *Robert R Jones Assoc., Inc. v. Nino Homes*, 858 F. 2d 274, 276 (6th Cir. 1988). Copying may be proven by direct or circumstantial evidence. *Johnson v. Jones*, 921 F. Supp. 1573,1593 (E.D. Mich. 1996), citing *Hartman v. Hallmark Cards, Inc.*, 833 F. 2d 117,120 (8th Cir. 1987).

For obvious reasons, direct proof of copying is often extremely difficult. Accordingly, courts permit that circumstantial evidence of copying may be used by demonstrating access to the copyrighted material and a substantial similarity between the copyrighted material and the work in question. *Arthur Rosenberg Homes, Inc. v. Maloney*, 891 F. Supp. 1560 (M.D. Fla. 1996).

Cases ruling on the questions of access and substantial similarity reveal the concepts are actually quite fluid. For example, for access, the plaintiff does not need to show that the defendant actually possessed the copyrighted material. Access is defined instead as an opportunity to view the protected material. *Nino Homes*, 858 F.2d at p. 277. This rule of law has common sense appeal. To force a plaintiff to prove actual possession of the material would create an extremely difficult burden and effectively squelch most copyright protection.

A similar rule applies to proof of substantial similarity. The plaintiff need not show that the defendant engaged in identical copying, only that a substantial similarity exists between the copyrighted material and the work in question. *See Wildlife Exp. Carp. v. Carol Wright Sales, Inc.*, 18 F.3d 502 (7th Cir. 1994); *Hartman v. Hallmark Cards, Inc.*, 833 F.2d 117 (8th Cir. 1987); *Intersong-USA v. CBS, Inc.*, 757 F. Supp. 274 (S.D. N.Y 1991); *Levine v. McDonald's Corp.*, 735 F. Supp. 92 (S.D. N.Y, 1990). A finding of substantial similarity depends on whether an average lay observer would conclude that the defendant's work was taken from the copyrighted source. *Johnson*, 921 F. Supp. at p. 1583, citing, *Nino Homes*.

### **WHO NEEDS TO WORRY ABOUT COPYRIGHT?**

Construction lawyers would be quick to agree that an attorney representing design professionals should be concerned with copyright protection and infringement. The copyrighted materials are the direct fruit of the design professional's labor and protection of that work is clearly a critical issue for counsel representing these clients.

Lawyers representing other sectors of the construction industry may be less apt to view familiarity with copyright infringement concepts as critical to their practice. In reality, every party on a construction project needs to be concerned with copyright protection issues. The owner or developer of property who is interested in using plans on other projects needs to respect copyright protection or run the risk of future legal actions by copyright holders. Alternatively, the owner needs to negotiate for ownership and copyright interests in the design plans and specifications for the project in question. The same can be said for terminating or replacing a design professional.

Even contractors are drawn into copyright litigation for actually having access to the copyrighted materials and constructing structures based on plans without approval of the copyright holder. *See e.g., Johnson v. Jones, supra.* The application of this principle can be seen in several recent cases.

For example, the United States District Court for the Eastern District of Michigan recently held that a replacement architect and a builder were guilty of willful infringement of copyright for using a previous architect's plans for design and construction of a home. *Johnson v. Jones*, 921 F. Supp. 1573 (E.D. Mich. 1996). Other rulings have found owners of property guilty of copyright infringement as well. *See e.g., Arthur Ruthenberg*, 891 F. Supp. 1560 *supra*.

## **COPYRIGHT INFRINGEMENT DAMAGES**

The plaintiff in a copyright action is entitled to choose between actual damages and statutory damages, 17 U.S.C.A. § 504 (a) (1)&(2) and may elect between these choices at any time prior to rendering of a final judgment. 17 U.S.C.A. § 504(c) (1). The ability to elect to seek statutory damages due to the absence of actual damages is often a critical incentive to plaintiffs seeking to enforce their federal copyright. Further, the intent of statutory damages is not only to compensate the plaintiff for direct losses but also to deter defendants from future infringing conduct by making it clear that infringement is significantly more expensive than paying licensing fees. *Unicity Music, Inc.*, 844 F. Supp. 504 (E.D. Ark. 1994) .

The issue of intent or knowledge by the defendant is relevant to the question of statutory damages. In the event of unintentional copyright infringement, statutory damages range from \$500.00 to \$20,000.00 "as the court considers just." *Id.* In cases of willful infringement, "the court in its discretion may increase the award of statutory damages to a sum of not more than \$100,000." 17 U.S.C.A. § 504(2) (Supp. 1995).

"Willful infringement" may be defined in a variety of circumstances. In the *Johnson v. Jones* case, the court analyzed copyright infringement issues where an original architect seeking a design/build contract drafted plans. There was no written contract for services, and the owner in question eventually decided to retain a new architect and contractor. Despite having separate counsel, the new architect and builder both expressly relied on a written legal opinion from the owner's counsel indicating that the owner had a "use" right for the plans on the project in question. The court found that, given the 25 years experience in construction for both of these parties, willful infringement was committed by both the architect and the builder despite the reliance on the attorney's written opinion. *Johnson v. Jones*, 921 F. Supp. at p. 1584.

The *Johnson v. Jones* case raise several teaching points for counsel. Owner's counsel in that case actually testified at the copyright infringement trial. While the issue is not discussed in the text of the case, that attorney may have exposed himself to potential liability for a legal opinion that clearly turned out to be incorrect. The economic loss doctrine analysis in Virginia may raise difficult hurdles for a potential claimant by the builder and architect in *Johnson v. Jones*; nevertheless, liability for even the attorney may be created by copyright infringement issues.

The measure of damages recoverable for unauthorized copying of architectural drawings includes those caused by the use of the plans for construction, not merely the value of the plans themselves. *Intown Enterprises, Inc. v. Barnes*, 721 F. Supp. 1263 (N.D.Ga. 1989). An architect also is entitled to the lost fair market value of the plans. *Eales v. Environmental Lifestyles, Inc.*, 958 F.2d 876 (9th Cir. 1992), cert. denied, 113 S.Ct.605 (1992). Among the factors considered in awarding statutory damages are the expenses saved and profits reaped by the infringing defendants, revenues lost by the plaintiffs, and whether the infringement was willful or knowing, or whether it was accidental or innocent. *Rare Blue Music, Inc. v. Guttadauro*, 616 F. Supp. 1528 (D.C.Mass. 1985); *Major Bob Music v. Stubbs*, 851 F. Supp. 475 (S.D.Ga. 1994); *Jasperilla Music Co., M. C.A., Inc. v. Wing's Lounge Ass'n*, 837 F. Supp. 159 (S.D.W.Va. 1993). Thus, with the exception of the expressed "deterrent" factor in many statutory damage case, the factors considered in statutory damages are very similar to evaluations of actual damages.

In addition to other forms of statutory damages, the prevailing party in copyright litigation is generally entitled to an award of attorney's fees. *See*, 17 U.S.C.A. § 505 (Supp. 1995) ; *see also*, *Evans Newton, Inc. v. Chicago Systems Software*, 793 F.2d 889, cert. denied, 479 U.S. 949 (7th Cir. 1986). An award of attorneys' fees to a prevailing party in a copyright infringement action has, as its primary purpose, to serve as economic incentive for a copyright holder to use the courts in challenging infringement. *In Design v. K-Mart Apparel Carp.*, 13 F. 3d 559 (2nd Cir. 1994).

Timing of the filing of the application is also an issue. By statute, statutory damages including reasonable attorney's fees are available in cases where infringement occurs after the registration of the copyright. It is critical for the owner of a copyright to immediately file the copyright application at the start of a project. While a party is still entitled to elect to prove actual damages arising from infringement, the threat of statutory

damages and attorney's fees is clearly an important factor in recovery at trial. In addition, the threat of statutory damages and reasonable attorney's fees can create excellent settlement leverage to resolve disputes amongst the parties. Thus, it is essential for the copyright owner to immediately file the applications to protect all available statutory rights including the potential for attorney's fee awards.

## LICENSURE ISSUES FOR DESIGN PROFESSIONALS

Copyright infringement can translate to not only monetary damages but also action against a design professional's license. In addition to the threat of lawsuits for copyright infringement, design professionals in the Commonwealth of Virginia face the added threat of action against their license.

The General Assembly of the Commonwealth of Virginia has empowered the Department of Professional Regulation to promulgate regulations for the practice of the professions of architecture, engineering, land surveying, and landscape architecture. Virginia Code, § 54.1-404. According to this statute, the Board of Architects, Professional Engineers, Professional Land Surveyors, and Landscape Architects has issued regulations for the practice of each of these professions. For architects and professional engineers, the board has issued a clear mandate barring use of the work of others without specific prior consent. The regulations provide as follows:

### PART XII. STANDARDS OF PRACTICE AND CONDUCT

#### §12.6 Professional Responsibility.

[ . . . ]

D. A professional shall not knowingly use the design, plans, or work of another professional without the original professional's knowledge and consent, and after consent, a thorough review to the extent that full responsibility may be assumed.

Rules and Regulations of APELSLA Board ("regulations"), § 12.6(D), May 19, 1994.

Notably, the APELSLA regulations provide for sanctions against design professionals who violate the standards of professional conduct. These sanctions include fines or suspension or revocation of licenses. *Id.* at § 12.11. Given that design professionals are faced with both potential money damages and the threat of loss of one's license, lawyers representing these clients need to be particularly sensitive to copyright protection and infringement issues.

## CONCLUSION

Copyright protection and infringement issues raise a number of requirements for legal counsel. Counsel must ensure that proper and timely copyright registration applications are filed. In a copyright infringement action, counsel must demonstrate access to the copyrighted material. Further, the plaintiff must prove a substantial similarity between the copyrighted material and the work in question. Next, counsel must evaluate and counsel potential clients about the availability of statutory versus actual damages and the

proper decision on this question. Finally, counsel representing parties in a project involving a change in design professionals need to analyze the totality of licensing and copyright infringement issues.

Copyright infringement is an area that can create traps for unwary parties and their counsel on construction projects. Although many attorneys may assume that the concerns raised by copyright protection are mainly for design professionals, and perhaps their direct clients, this attitude could place one's clients in jeopardy. Case law throughout the country has found design professionals, contractors and subcontractors, owners, and developers alike guilty of copyright infringement and liable for direct or statutory damages. Further, for design professionals, copyright issues may raise the potential for actions against one's license. Therefore, a thorough awareness and healthy respect for the legal principles of copyright protection and infringement is a prerequisite to an effective practice representing parties in the construction industry. ■

**NOTE:**

\* On an interesting side note, the approval for the application was received the day before the motions argument. In his express opinion issued from the bench, Judge Cacheris clearly stated that he followed Judge Ellis' reasoning in the Secure Services case and found that the filing of the application was enough to trigger jurisdiction.

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