Copyright and Duty to Defend
RLI Design Professionals is a Registered Provider with The American Institute of Architects Continuing Education Systems. Credit earned on completion of this program will be reported to CES Records for AIA members. Certificates of Completion for non-AIA members are available on request.

This program is registered with the AIA/CES for continuing professional education. As such, it does not include content that may be deemed or construed to be an approval or endorsement by the AIA of any material of construction or any method or manner of handling, using, distributing, or dealing in any material or product. Questions related to specific materials, methods, and services will be addressed at the conclusion of this presentation.
Copyright Materials

This presentation is protected by US and International Copyright laws. Reproduction, distribution, display and use of the presentation without written permission of the speakers is prohibited.

© RLI Design Professionals
SUBJECT MATTER EXPERT

JONATHAN C. SHOEMAKER
This course examines the risks to design firms that are posed by copyright and related indemnity provisions, using a case study to illustrate how one project can result in multiple claims, and discusses what design professionals can do to manage and mitigate those risks.
Learning Objectives

Participants in this session will:

1. Review industry standard copyright and indemnity provisions for Design Professionals
2. Discover the risks associated with copyright and indemnity provisions
3. Study of multiple copyright/indemnity claims involving one project
4. Discuss how to manage and mitigate exposure to copyright infringement claims
The Architect grants to the Owner a nonexclusive license to use the Architect’s Instruments of Service 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. The Architect shall obtain similar nonexclusive licenses from the Architect’s consultants...

AIA B101-2017 § 7.3
Ownership of Documents

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.

EJCDC E-500 (2014)
Why Insist on Ownership?

1. Guard against risk of misuse/misinterpretation
2. Guard against Owner non-payment
3. Reuse of new standard details on future projects
4. Marketing opportunity
The Architect shall indemnify and hold the Owner and Owner’s officers and employees harmless from and against damages, losses and judgments arising from claims by third parties, including reasonable attorneys’ fees and expenses recoverable under applicable law, but only to the extent they are caused by the negligent acts or omissions of the Architect, its employees and its consultants in the performance of professional services under this Agreement...

AIA B103-2017 § 8.1.3
...The Architect’s obligation to indemnify and hold the Owner and the Owner’s officers and employees harmless does not include a duty to defend. The Architect’s duty to indemnify the Owner under this section 8.1.3 shall be limited to the available proceeds of the insurance coverage required by this agreement.

AIA B103-2017 § 8.1.3
To the fullest extent permitted by Laws and Regulations, Engineer shall indemnify and hold harmless Owner, and Owner’s officers, directors, members, partners, agents, consultants, and employees from losses, damages, and judgments...arising from third-party claims or actions related to the Project...but only to the extent caused by any negligent act or omission of the Engineer or Engineer’s officers, directors, members, partners, agents, employees, or Consultants...

EJCDC E-500 (2014)
Why Avoid the Duty to Defend?

1. Uninsurable risk
2. No control over cost of legal fees
3. Makes the Designer an Insurer
Study of Multiple Copyright/Indemnity Claims in One Project
Design firm sought $259 millions for alleged copyright infringement of its designs against the design firm as well as the developers/contractors of the project.

**Plaintiff:**

**Humphreys & Partners Architects, L.P.**
Grant Park in Minneapolis, MN
Design Firm

**Defendants:**

**Lessard Design**
Two Park Crest in McLean, VA
Design Firm

**The Penrose Group**
Developer

Lessard attended a conference in Florida in which Humphreys presented “What’s Hot in Multifamily Design,” a presentation which included images of the Grant Park project.

During the bidding and selection process, the developer sent Lessard an email containing the Grant Park project design.
Trial Court dismisses claims.

In sum, because no reasonable jury could conclude that the Grant Park design and the Two Park Crest design are extrinsically similar, there can be no inference that defendants copied the Grant Park design.

Judge T.S. Ellis III
At bottom, HPA failed to carry its burden of identifying a specific similarity between the Two Park Crest design and the protected elements of its Grant Park design. The evidence, viewed in the light most favorable to HPA, shows that the Two Park Crest and Grant Park designs incorporate nine of the same concepts. But it does not establish that the two designs have a similar overall form, or that the designs arrange or compose elements and spaces in a similar manner.”

Humphreys & Partners Architects, L.P. v. Lessard Design, Inc., 790 F.3d 532 (4th Cir. 2015)
Discretionary Award of Attorney’s Fees

Humphreys
Sought $259 mil
Despite only $499k in anticipated lost profits

Lessard
Sought $1.4 mil
Awarded ~$842k

Developer
Sought $990k
Awarded ~$793k

Collectively entitled to over $1.6 million in attorney’s fees
Take Away

Lessons Learned

1. Coming up with an original design does not avoid the cost of a copyright claim.
2. Be cognizant of risks when developing design with a client who shares inspiration.
3. Preserve ownership of your work product.
Case Law

Developer settles a copyright infringement case and files suit against Design firm to recover ~$245k in unreimbursed fees under a defense/indemnity provision.

Plaintiff:

The Penrose Group
Developer

Defendants:

Lessard Design
Two Park Crest in McLean, VA
Design Firm

Defense and Indemnity Provision

Lessard agreed to “[i]ndemnify, defend and hold the Owner, Owner's Developer, and Owner's and Owner's Developer's wholly owned affiliates and the agents, employees and officers of any of them harmless from and against any and all losses, liabilities, expenses, claims, fines and penalties, costs and expenses, including, but not limited to reasonable attorneys' fees and court costs relating to the services performed by the Architect hereunder . . .”
Holding of the Case

Court rejects Insurer’s claim for defense costs

Indemnity provision was **void and unenforceable under a Virginia statute** (the law applicable to the design agreement)

**BUT**

What would have happened if there was not a statutory provision rendering the clause unenforceable?
The word “defend” inspires claims

Meritless copyright claims are an expensive proposition...

...And are only compounded when there is a potential defense obligation
Thank you for your time!

QUESTIONS?

This concludes The American Institute of Architects
Continuing Education Systems Program

Jonathan C. Shoemaker, Lee/Shoemaker PLLC
JCS@leeshoemaker.com

Mika Dewitz-Cryan, Client Solutions Manager
Mika.Dewitz-Cryan@rlicorp.com