



RLI DESIGN PROFESSIONALS
Design Professionals Learning Event

Copyright and Duty to Defend

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SUBJECT MATTER EXPERT



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Course Description

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

Ownership of Documents

“ “ 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

Indemnity & Duty to Defend



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

Indemnity & Duty to Defend



...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

Indemnity & Duty to Defend



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



Case Law



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:

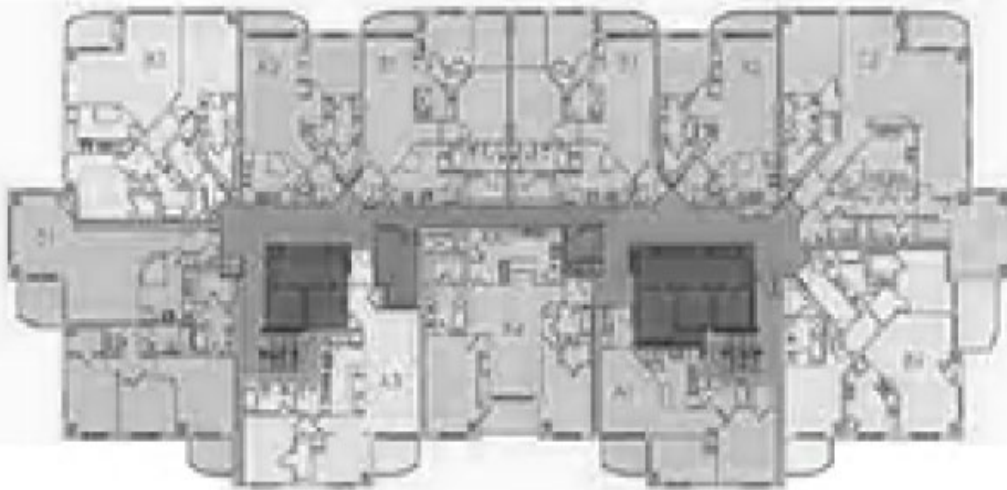
Lessard Design
Two Park Crest in McLean, VA
Design Firm

The Penrose Group
Developer

[Humphreys & Partners Architects, L.P. v. Lessard Design, Inc., 43 F. Supp. 3d 644 \(E.D. Va. 2014\)](#)



Two Park Crest
McLean, VA



Grant Park
Minneapolis, MN

Source: Court's decision in [Humphreys & Partners Architects, L.P. v. Lessard Design, Inc.](#), 43 F. Supp. 3d 644 (E.D. Va. 2014)

Undisputed Facts

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.

Holding of the Case

““ 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

On Appeal

““ Appellate Court affirms.

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

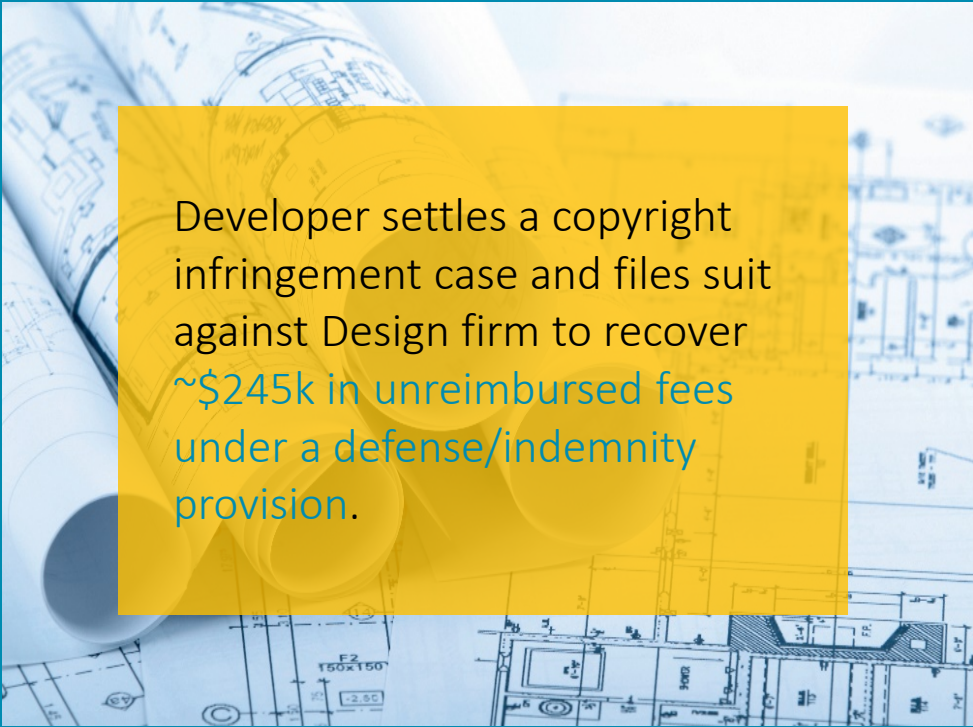
In attorney's fees

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

[Travelers Indem. Co. v. Lessard Design, Inc.](#), 2018 U.S. Dist. LEXIS 98937 (E.D. Va. LEXIS June 12, 2018)

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?

Take Away

Lessons Learned

- 1** The word “defend” inspires claims
- 2** Meritless copyright claims are an expensive proposition...
- 3** ...And are only compounded when there is a potential defense obligation

Thank you for your time!

QUESTIONS?

This concludes The American Institute of Architects
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