

COPYRIGHT LICENCE ISSUES IN CONSULTANTS' CONTRACTS

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TOPICS



- ▶ Licences & related matters
- ▶ Indemnities

- ▶ s16(2) CDPA: “Copyright in a work is infringed by a person who without the **licence** of the copyright owner does, or authorises another to do, any of the acts restricted by the copyright.”
- ▶ Is there a licence? Express or implied?
- ▶ What form may it take?
- ▶ Does it provide a defence to the claim for infringement?

- ▶ Implied term granting the minimum licence necessary to give business efficacy to the contract
- ▶ *Stovin-Bradford v Volpoint Properties Ltd* [1971] Ch 1007: nominal fee
- ▶ *Blair v Osborne & Tomkins* [1971] 1 All ER 468: full compensation

- ▶ Where full compensation paid, replacement architect may make at least insubstantial modifications to the original architect's designs (obiter): *Hunter v (1) Fitzroy Robinson & Partners (2) Garden House Hotel (Cambridge) Limited (3) Redbush Securities Ltd* [1978] 10 BLR 84
- ▶ An implied licence for an existing building will not cover reproducing the design to extend it without payment of a further licence fee: *Mickle & Ors v Maufe & Ors* [1941] 3 All ER 144. Rationale: licence to extend at a future date not required for minimum licence necessary to give business efficacy to the contract

- ▶ s65 CDPA: anything done for the purposes of reconstructing a building does not infringe any copyright in the building or in any drawings or plans in accordance with which the building was, by or with the licence of the copyright owner, constructed.

- ▶ No formal requirements at law *ie* may be oral, but CDPA makes some changes to that
- ▶ CDPA s90: licence is binding on every successor, except a purchaser in good faith for valuable consideration and without notice (actual or constructive) of the licence or a person deriving title from such a purchaser
- ▶ **'Exclusive'**: only the licensee who has been given the licence can use the copyright work, even to the exclusion of the copyright owner. But licence must be in writing signed by copyright owner: CDPA s92
- ▶ Exclusive licensee has the same rights and remedies in respect of matters occurring after the grant of the licence as if the licence had been an assignment, except against the copyright owner.

- ▶ **'Sole'**: the person who has been given the licence can use the copyright work to the exclusion of third parties, but not to the exclusion of the copyright owner
- ▶ **'Non-exclusive'**: person to whom a licence has been granted may use the copyright work, but not to the exclusion of the copyright owner, who may licence others as well
- ▶ s101A CDPA: If non-exclusive licence is (a) in writing signed by or on behalf of the copyright owner (b) expressly grants the non-exclusive licensee a right of action under the section (c) the infringing act is directly connected to a prior licensed act of the licensee, then a non-exclusive licensee may bring an action for infringement of copyright

- ▶ **'Royalty free'**: no additional licence fee is to be payable beyond initial licence fee
- ▶ **'Irrevocable'**: licence lasts for the duration that copyright subsists
- ▶ Scope of express licence will be determined on normal contractual interpretation principles

- ▶ On non-payment or part-payment, general contractual principles apply:
 - may be total failure of consideration
 - may amount to a repudiatory breach of contract (but if not a repudiatory breach, then the designer will have put itself in breach of contract if it treats the contract as at an end)
- ▶ Where no express right to suspend licence for non-payment before work is to be used before payment in full, likely that licence will be construed as having been given in return for a promise to pay only, recoverable by action: *Ng v Clyde Securities Ltd* [1976] 1 NSWLR 443 followed in *Deakin & Anor (t/a Faith Image Source) v Card Rax Ltd & Ors* [2011] EWPC 3

- ▶ In construction contracts subject to HGCR, a properly exercised suspension of obligations under s112 may provide some assistance, although will not affect the licence per se
- ▶ So express right to suspend or revoke the licence essential
- ▶ Public administration defences available to statutory authorities in respect of works dealt with in accordance with statutory authority, so no infringement by them even if licence suspended

- ▶ RIBA 2010 Standard Conditions of Appointment (2012 rev)
 - Cl 6.1: Architect owns copyright
 - Cl 6.2: Client not entitled to register any part of the design without Architect's permission
 - Cl 6.3: Client has licence to copy & use drawings, documents & all such other work produced by or on behalf of the Architect in performing the Services

- CI 6.3: Material may be used for operation, maintenance, repair, reinstatement, alteration, promotion, leasing and/or sale of the Project. Material may not be used for reproduction of the design of the Project &/or for any part of any extension of the Project except for a further licence fee
- CI 6.3.1: If Client intends to use Material after the date of the last Service performed under the Agreement, Client shall pay any specified licence fee or a reasonable licence fee
- CI 6.3.2: Architect may suspend use of the licence and sub-licences for any fees or other amounts properly due

- ▶ CI 70.1: *Employer* has right to use material provided by *Consultant* for the purpose stated in the Scope. *Consultant* obtains equivalent rights from Subconsultant for *Employer* to use material prepared by Subconsultant
- ▶ CI 70.2: *Consultant* has right to use material provided by the *Employer* only to Provide the Services. Can sub-licence Subconsultant. Returns material to *Employer* on completion of *services*
- ▶ CI 70.4: *Consultant* may use material provided by it under the contract for other work unless stated in the Scope

- ▶ Intended for use with existing standard forms
- ▶ Cl 6.1: Employer & Project Team Member agree to vary existing IP provisions in so far as they apply to Material, Federated Models, Project Team Models & contributions from Employer to Specified Models so (*ie* electronic material) so that the Protocol provisions apply
- ▶ Cl 6.2: IP rights in electronic material produced by Project Team Members used in the Models (save for material provided Employer), vests in the relevant Project Team Member

- ▶ Sub to cll 6.4 & 6.5, Project Team Member grants a non-exclusive licence (including a licence to grant sub-licences which includes a right to grant sub-sub licences) to transmit, copy and use the Material & any proprietary work contained in the Material for the Permitted Purpose
- ▶ 'Permitted Purpose' means a purpose related to the Project (or the construction, operation and maintenance of the Project) which is consistent with the applicable Level of Detail of the relevant Model (including a Model forming part of a Federated Model) and the purpose for which the relevant Model was prepared.

- ▶ CI 6.5: but licence does not include a right to amend or modify the Material without the Project Team Member's written consent (not to be unreasonably withheld), except where amendment or modification is provided for in the Information Requirements or made for the Permitted Purpose following the termination of the Project Team Member's employment under the Agreement
- ▶ Licence does not extend to reproducing any proprietary work contained in the Material for any extension of the Project
- ▶ CI 6.4: licences may be suspended or revoked in the event of non-payment to the extent that any licence in the underlying agreement provides for such suspension or revocation

- ▶ Business to consumer contracts: Consumer Rights Act 2015 – term unfair if, contrary to the requirements of good faith, it causes a significant imbalance in the parties' rights & obligations to the detriment of the consumer.
- ▶ Terms relating to subject matter of the contract & price (eg the licence fee) remain exempt from the fairness test, if the terms are transparent (legible, if written) & prominent. If not, then subject to the test. An individually negotiated term may be held to be unfair, if it does not satisfy the fairness test. The court is obliged to consider fairness of the terms, even if neither party has raised fairness as an issue. Unfair term if oblige a consumer to pay a further licence fee to use material after cessation of services if an implied licence would have permitted?

- ▶ Contractual indemnities are frequently pressed for by clients on a non-reciprocal basis
- ▶ Usually drafted broadly to enable recovery of losses which may not be recoverable absent agreement (*eg* because they are too remote, subject to a duty to mitigate or irrecoverable otherwise)
- ▶ Cause of action for an indemnity will frequently arise later than for the underlying breach of contract

CONTRACTUAL INDEMNITIES AGAINST INFRINGEMENT OF THIRD PARTY IPR RIGHTS



- ▶ Some PI policies exclude voluntarily assumed contractual liabilities where there is no equivalent tortious liability, which might have the effect of reducing or excluding cover under an indemnity
- ▶ Exclusion from PI cover of fines, liquidated damages & similar non-compensatory payments may exclude cover for additional damages

CONCLUSIONS



- ▶ Infringement of copyright by a professional likely to amount to a breach of contract/duty & a breach of professional conduct rules
- ▶ Designers (of all types), Employers, EAs etc. need to check that appropriate (consistent) licences are in place for the work, especially where designs are to be coordinated & integrated into a designer's work
- ▶ On taking on work started by others, designers need to check that the existing licence extends to cover the work they are obliged to undertake & that sub-consultants provide an appropriate licence

CONCLUSIONS



- ▶ Licences going forward (*eg* with BIM) are likely to extend through the life of the building, rather than stopping at completion of construction
- ▶ Indemnities should be resisted as the law provides adequate remedies for infringements
- ▶ BIM level 3 will pose new challenges in applying these principles



CLEAR ▶ CONCISE ▶ CONNECTED