Copyrights Involving Architectural Drawings and Architectural Works

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A. THE COPYRIGHT LANDSCAPE

In order to fully understand the scope of copyright in architectural drawings and architectural works, it is helpful to have a basic understanding of copyright law and some historical background on how the law developed to where it is today.

1. Exclusive Rights Provided By Copyright

The most important exclusive rights in copyrighted works involving architectural drawings and architectural works are the exclusive rights to: (a) reproduce the copyrighted work in copies, and (b) prepare derivative works based upon the copyrighted work. 17 U.S.C. § 106(1) & (2). Other exclusive rights are accorded copyrighted works, but in the case of architectural drawings and architectural works, they either do not apply or rarely are an issue.

Copyright only covers the author’s manner of expression. Demetriades v. Kaufman, 680 F. Supp. 658, 663 (S.D.N.Y. 1988) (“[C]opyright protection extends to the particular explanation of an art or work...”) (emphasis in original). Copyright does not give the author any exclusive rights in underlying ideas expressed in the copyrighted work. 17 U.S.C. § 102(b) (“In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.”). If someone describes an invention in a copyrighted book, it would not infringe the copyright for a third party to read the book and build the invention described in it. The copyright would prevent a third party from making copies of the book, but not from using ideas described in the book. If there are only a limited number of ways of expressing an idea, the scope of copyright protection will be limited in order to prevent someone from copyrighting all of the ways of expressing an idea and thereby obtain a monopoly over the idea itself.

Historically, copyright protection did not extend to three-dimensional useful articles. Baker v. Selden, 101 U.S. 99 (1879). The statute defines a “useful article” as “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” For example, you would not be able to copyright a hammer or a saw. In order to protect three-dimensional useful articles, someone would have to apply for a patent and obtain patent protection. This historical principle of copyright law played an important role in limiting the scope of copyright protection in architectural drawings.

2. Architectural Drawings

Architectural plans and drawings are protected by copyright law as “pictorial, graphic, and sculptural works.” 17 U.S.C. § 102(a)(5). CSM Investors, Inc. v. Everest Development, Ltd., 840 F. Supp. 1304, 1309 (D. Minn. 1994); Innovative Networks, Inc. v. Satellite Airlines Ticketing Centers, Inc., 871 F. Supp. 709, 719 (S.D.N.Y. 1995) (“It is well-established that architectural plans are eligible for copyright protection.”), aff’d without opinion, 152 F.3d 918 (2nd Cir. 1998). The exclusive rights in such copyrighted works includes the right to: (a) make
copies of the architectural drawings, and (b) prepare derivative works based upon the copyrighted drawings. 17 U.S.C. § 106(1) & (2).

This means that you cannot make copies of original architectural drawings and plans without a license from the architect that authored the drawings and plans. *Curtis v. Benson*, 959 F. Supp. 348, 351-52 (E.D. La. 1997) (summary judgment for defendant Benson denied because “the plans provided to the architect defendants by Benson ... were copies of plaintiff’s original copyrighted works.”).

You may be found to have infringed the architect’s exclusive right to prepare derivative works if you make new drawings that are modifications of the original architectural drawings and plans. *Curtis v. Benson*, 959 F. Supp. at 352 (summary judgment for defendant Benson denied because “the plans prepared by the architect defendants at Benson’s direction, were derivative works based upon plaintiff’s copyrighted works.”). In order to establish the existence of an infringing derivative work, a plaintiff must show that the defendant’s work substantially incorporated protected materials from the plaintiff’s preexisting work. *Allen v. Academic Games League of America, Inc.*, 89 F.3d 614, 617 (9th Cir. 1996); *Tiffany Design, Inc. v. Reno-Tahoe Specialty, Inc.*, 55 F. Supp.2d 1113, 1121-22 (D. Nev. 1999) (“In order to prove an act of ‘copying,’ a plaintiff must demonstrate both that the defendant performed actual duplication (i.e., performed copying as a factual matter) and that such copying is actionable as a legal proposition. Here, the issue of whether Defendant used a sufficient amount of recognizable elements from the 1998 Image to constitute ‘substantial use’ (i.e., an infringing derivative work) is a question of fact that should be decided during trial.”) (citation omitted).

The owner of a building can always hire new architects to create new drawings and plans, as long as the new drawings and plans are independently created. *LZT/Filliung Partnership, LLP v. Cody/Braun & Assoc.*, 117 F. Supp.2d 745, 752-53 (N.D. Ill. 2000) (“If the alleged infringer created the accused work independently ... then there is no infringement.”); *Watkins v. Chesapeake Custom Homes, L.L.C.*, 330 F. Supp.2d 563, 575 (D. Md. 2004).

Copyright infringement must be shown by proof of copying. Normally, direct evidence of copying is not available, and an inference of copying may be based upon proof of access to the copyrighted work and substantial similarity between the copyrighted work and the infringing work. *John Alden Homes, Inc. v. Kangas*, 142 F. Supp.2d 1338, 1344 (M.D. Fla. 2001), aff’d without opinion, 37 Fed. Appx. 979 (11th Cir. 2002); *Watkins v. Chesapeake Custom Homes, L.L.C.*, 330 F. Supp.2d 563, 575 (D. Md. 2004).

In order to prove access, all that need be shown is that the alleged infringer had an opportunity to view the copyrighted work. *LZT/Filliung Partnership, LLP v. Cody/Braun & Assoc.*, 117 F. Supp.2d at 752 (“Access can be found to exist when the defendant had an opportunity to view the protected item.”); *Arthur Rutenberg Homes, Inc. v. Maloney*, 891 F. Supp. 1560, 1567 (M.D. Fla. 1995) (access “means merely an opportunity to view the protected material.”).
In the case of architectural drawings and plans, the copyright owner must show substantial similarity between the infringing drawings and protected features of the copyrighted drawings. Any copyright that an architect may own in architectural drawings and plans would not extend to preexisting material. 17 U.S.C. § 103(b) (“The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material.”). Any similarities between drawings prepared by someone else and the architect’s copyrighted drawings that result from both sets of drawings being derived from a common source would not be an infringement of any copyright held by the architect. LZT/Filliung Partnership, LLP, 117 F. Supp.2d at 752-53 (new architects provided with same drawings that were given to original architect to use as the basis for the original architectural drawings).

A copyright does not give the author exclusive rights over the facts stated in the work of authorship. It protects only the manner of expression employed in the statement of facts. Making new drawings that are modifications of original architectural drawings and plans is not an infringement of the exclusive right to prepare derivative works based upon the copyrighted work unless the new drawings substantially incorporate protected materials from the copyright owner’s preexisting work. Allen v. Academic Games League of America, Inc., 89 F.3d 614, 617 (9th Cir. 1996); Tiffany Design, Inc. v. Reno-Tahoe Specialty, Inc., 55 F. Supp.2d 1113, 1121-22 (D. Nev. 1999). After a building has been constructed, the location of walls and other features of the building become “facts” that are not copyrightable. Copying a line from a drawing, where the sole purpose of the line is to identify the position of an existing wall, does not incorporate “protected materials” in the architectural plans. Attia v. Society of the New York Hospital, 201 F.3d 50, 58 (2nd Cir. 1999) (“The copying of a line that has no expressive content but has as its sole purpose to identify the position of an existing wall takes only fact and nothing of expression; it does not infringe copyright.”), cert. denied, 531 U.S. 843 (2000). For this reason, it has been said that in architectural plans, “modest dissimilarities are more significant than in other types of art works.” John Alden Homes, Inc. v. Kangas, 142 F. Supp.2d at 1345, quoting from Howard v. Sterchi, 974 F.2d 1272, 1276 (11th Cir. 1993).

Note that copyright law does not restrict someone’s use of architectural drawings and plans. A copyright is infringed only if copies of the drawings are made. Sparaco v. Lawler, Matusky, Skelly Engineers LLP, 60 F. Supp.2d 247, 251 (S.D.N.Y. 1999) (“As long as the new architect and the builder who carried out the architect’s vision did not make copies of Plaintiff’s copyrighted work (i.e., his site plan), they did not violate his copy-right.”) (emphasis in original), vacated on other grounds, 303 F.3d 460 (2nd Cir. 2002), cert. denied, 538 U.S. 945 (2003); Demetriades v. Kaufman, 680 F. Supp. 658, 663 (S.D.N.Y. 1988) (“[A]lthough copyright protection extends to the particular explanation of an art or work, it does not protect use of the art or work described by the copyrighted publication.”) (emphasis in original), citing Baker v. Selden, 101 U.S. 99, 105 (1879); Storage Technology Corp. v. Custom Hardware Engineering & Consulting, Inc., 421 F.3d 1307, 1316 (Fed. Cir. 2005) (“The use of the code may violate the license agreement, but it is not forbidden by copyright law and cannot give rise to an action for copyright infringement.”).
This brings us to one of the most significant historical limitations on the scope of copyright in architectural drawings and plans. Courts have held that building a building from architectural plans does not infringe the copyright in the plans. *Demetriades v. Kaufman*, 680 F. Supp. 658, 664-65 (S.D.N.Y. 1988) (“Although plaintiffs may have a valid copyright in the architectural plans that served as the basis for the Demetriades house, that protection simply does not extend to the design or the house itself absent a design patent.”); *Imperial Homes Corp. v. Lamont*, 458 F.2d 895, 899 (5th Cir. 1972) (copyright prevents individual from copying copyrighted architectural plans, but does not “clothe their author with the exclusive right to reproduce the dwelling pictured” or “anywise restrict[]” reproduction of an identical dwelling); *DeSilva Constr. Corp. v. Herrald*, 213 F. Supp. 184, 195-96 (M.D. Fla. 1962) (holding copyright protection limited solely to unauthorized copying of architectural plans but does not extend to structure itself); *Herman Frankel Org. v. Tegman*, 367 F. Supp. 1051, 1053 (E.D. Mich. 1973) (“A person cannot, by copyrighting plans, prevent the building of a house similar to that taught by the copyrighted plans.”); *Muller v. Triborough Bridge Authority*, 43 F. Supp. 298, 299 (S.D.N.Y. 1942); *Acorn Structures, Inc. v. Swantz*, 657 F. Supp. 70 (W.D. Va. 1987), *rev’d on other grounds*, 6 U.S.P.Q.2d 1810 (4th Cir. 1988); 136 Cong. Rec. 1659 (daily ed. Feb. 7, 1990) (“Copyright in two-dimensional works has never included the right to prohibit the construction of uncopyrightable three-dimensional works depicted therein. Such protection must come, if at all, under the patent law.”) (remarks of Mr. Kastenmeier).

In the past, when copyright infringement of architectural plans was found, courts refused to issue an injunction halting further construction of the building itself. Injunctive relief was limited to an injunction to prevent further unauthorized copying of the plaintiff’s plans. Some court’s would enjoin further reliance upon the infringing copies of the plans, and impound all infringing copies of the plans. *Demetriades v. Kaufman*, 680 F. Supp. 658, 666 (S.D.N.Y. 1988).

3. **Ownership Of Copyright**

The copyright in a work vests initially in the author of the work. 17 U.S.C. § 201(a). Generally, this is the person who actually created the work. The person who actually draws an architectural drawing is normally the author, unless the work is a “work made for hire.”

A “work made for hire” is a work prepared by an employee within the scope of his or her employment. 17 U.S.C. § 101. In the case of a “work made for hire,” the employer is considered the author for purposes of the copyright statute. 17 U.S.C. § 201(b). Thus, if a draftsman creating architectural drawings is an employee of the architect, then the architect will own the copyright in the architectural drawings that the employee draftsman draws. However, the architect will not own the copyright in architectural drawings created by an independent contractor, unless the contractor specifically assigns the copyright to the architect.

4. **Transfer Of Ownership**

A transfer of copyright ownership is not valid unless it is in writing. The statute requires “an instrument of conveyance, or a note or memorandum of the transfer” that is signed by the copyright owner or his or her authorized agent. 17 U.S.C. § 204(a). Thus, a signed writing is a
requirement for the conveyance of a copyright. Note that this requirement does not apply to a nonexclusive license, which may be granted orally. *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 825-26 (9th Cir. 2001).

The requirements for a written conveyance are minimal. *Effects Associates, Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990) (“If the copyright holder agrees to transfer ownership to another party, that party must get the copyright holder to sign a piece of paper saying so. It doesn’t have to be the Magna Charta; a one-line pro forma statement will do.”). This relaxed standard is based in part upon the language of the statute, which states that “a note or memorandum of the transfer” is sufficient. 17 U.S.C. § 204(a). No magic language is required. *Effects Associates, Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990). Any manifestation of intent to transfer the copyright will be sufficient. In one case, a writing that “released all copyrights” was found to be a transfer of ownership of a copyright. *Tiffany Design, Inc. v. Reno-Tahoe Speciality, Inc.*, 55 F. Supp. 2d 1113, 1118 (D. Nev. 1999). Subsequent documentation may be considered to confirm the parties’ original intent. *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1429 (9th Cir. 1996).

Any of the exclusive rights in a copyright may be transferred and owned separately. 17 U.S.C. § 201(d)(2).

**B. TOTO, WE'RE NOT IN KANSAS ANY MORE**

1. **Architectural Works Pre-1990**

   The legal landscape changed in 1990 when the law was changed to provide protection for an “architectural work.” Prior to 1990, the Copyright Act afforded no protection to buildings, because they were considered to be “useful articles” not protected by the Copyright Act. *Leicester v. Warner Brothers*, 232 F.3d 1212, 1216 (9th Cir. 2000). Architectural works were added to the copyright statute by the Architectural Works Copyright Protection Act of 1990. *Hunt v. Pasternack*, 192 F.3d 877, 878 (9th Cir. 1999). Prior to the 1990 amendment, a person could go to a building, take measurements, make sketches, and replicate the building without obtaining permission from the original designer of the building. *Guillot-Vogt Assoc. v. Holly & Smith*, 848 F. Supp. 682, 686 (E.D. La. 1994).

2. **Architectural Works Copyright Protection Act of 1990**

   The statute defines an “architectural work” as the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. 17 U.S.C. § 101. The architectural work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features. *Id.* The design of a building is subject to copyright protection, but not the building itself. *Pollara v. Seymour*, 344 F.3d 265, 270 n.5 (2nd Cir. 2003) (“Buildings (as opposed to their design) are not subject to protection under the Copyright Act”); *Tiffany Design, Inc. v. Reno-Tahoe Speciality, Inc.*, 55 F. Supp. 2d 1113, 1119 (D. Nev. 1999) (“The term ‘architectural works’ refers only to the design of a building or structure.”) (emphasis in original).
Now there are two distinct copyrights that must be considered when dealing with architectural plans and drawings: (1) the copyright in the drawings and plans themselves; and (2) the copyright in the architectural work that is embodied in the plans and drawings. These two copyrights may be separately owned and separately licensed.

Architectural works can sometimes be works of art. Thus, the “moral rights” recognized in the world of art can come into play when dealing with architectural works. In the area of “moral rights,” a copyright owner has certain exclusive rights “to prevent any intentional distortion, mutilation, or other modification of [the copyrighted] work which would be prejudicial to his or her honor or reputation” and “to prevent an destruction of a work of recognized stature.” 17 U.S.C. § 106A.

Ownership of a building is distinct from ownership of any copyright that may exist in the architectural work embodied in the building. 17 U.S.C. § 202 (“Transfer of ownership of any material object ... does not convey any rights in the copyrighted work embodied in the object.”). Thus, the “moral rights” accorded under an architectural work copyright could have potentially prevented the owner of a building from tearing down a building that had become a recognized landmark or that had achieved some historical significance. In addition, creation of an architectural work copyright in a building had the potential of limiting the ability of the owner of the building from creating “derivative works” based upon the building, i.e., the owner of the building might not be able to modify the building or make additions to the building.

When the original bill H.R. 3990 was introduced to amend the copyright statute to provide for a copyright in architectural works, the sponsor of the bill make some remarks about this issue:

“As in so many areas of law, the copyright act frequently operates as a default mechanism, utilized principally when the parties fail to take into account particular issues. In the cases of alterations and additions, competing default interests are at stake. Good arguments can be made that owners of buildings should be able to alter them to suit their needs. Yet some alterations can destroy the integrity of an architect’s work. Perhaps such alterations are encompassed with the copyright owner’s right to make derivative works. Another way to protect against such alterations would be to provide moral rights. However, it is my understanding that those responding to the copyright office’s notice of inquiry did not believe a provision on moral rights was necessary.” 136 Cong. Rec. E259 (daily ed. Feb. 7, 1990) (remarks of Mr. Kastenmeier).

When the copyright statute was amended to provide a copyright in architectural works, at the same time the scope of exclusive rights in architectural works was limited by 17 U.S.C. § 120. Notwithstanding the exclusive right to prepare derivative works accorded by 17 U.S.C. § 106(2), or the copyright owner’s “moral rights” provided under 17 U.S.C. § 106A, “the owners of a building embodying an architectural work may, without the consent of the author or copyright owner of the architectural work, make or authorize the making of alterations to such building, and destroy or authorize the destruction of such building.” 17 U.S.C. § 120(b)
(emphasis added). Thus, under the express terms of the statute, the owner of a building has the
right to modify or make alterations to the building. *Guillot-Vogt Assoc. v. Holly & Smith*, 848 F. Supp. 682, 687 (E.D. La. 1994) ("This provision of the Act is meant to allow the alteration of a
building which embodies a copyrighted architectural work without first obtaining approval from
the copyright owner.") (emphasis removed).

The limitation on the scope of exclusive rights in architectural works provided by section
120 may be interpreted as limiting the scope of exclusive rights in the separate copyright for the
architectural drawings and plans. In *Leicester v. Warner Brothers*, 232 F.3d 1212, 1219-20 (9th
Cir. 2000), the court held in a case where the limitation of 17 U.S.C. § 120(a) applied, that the
statutory provisions of section 120(a) gave a complete exemption against any claim for copyright
infringement, including any claim based on “pictorial, graphic, and sculptural works.” The
holding in the *Leicester* case has not been extended to section 120(b), although a dissenting
opinion in that case suggests that such a result would follow from the court’s decision. *Id.*, 232
F.3d at 1234-35. If extended, this would mean that the copyright owner would not be able to sue
for infringement of the architectural drawings in situations where the exemption of 17 U.S.C.
§ 120(b) applied to limit the scope of the exclusive rights in the architectural work embodied in
those drawings.

C. FOLLOW THE YELLOW BRICK ROAD

Very few cases have been reported to date where the copyright in an architectural work
was infringed. The remedies granted for infringement of a copyright in architectural drawings
and plans reflected the limited scope of copyright protection accorded such works.

1. Injunctive Relief

In the past, the owner of a copyright in architectural plans and drawings could not get an
injunction halting construction of a building based on the copyrighted plans, because
construction of the building was not an infringement of the copyright in the architectural plans.
Construction of a building could continue as long as the defendant did not make copies of the
copyrighted drawings or prepare modified drawings that might be considered to be derivative

An architectural work copyright does, however, provide a basis for an injunction to halt
construction of a building. This is clear from the legislative history of the Architectural Works
1990). The original bill that was introduced would have prohibited a court from granting an
injunction to halt construction of a building based upon infringement of an architectural work
voiced objections to the prohibition against injunctive relief. *Hearings on H.R. 3990 & H.R.
3991 Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of
the House Comm. on the Judiciary*, 101st Cong., 2d Sess. (1990). Therefore, the provision
limiting injunctive relief was taken out, and the statute was enacted without imposing any
limitations upon a court’s power to grant injunctions “to prevent or restrain infringement of a

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copyright.” 17 U.S.C. § 502. A court also has the power to order the destruction of infringing copies of a copyrighted work. 17 U.S.C. § 503(b).

In view of the fact that construction of a building depicted in architectural drawings can be an infringement of the architectural work embodied in the drawings, an injunction can be granted to prevent construction of the building, to halt construction in progress, or to tear down a building.

2. Potential Damages For Copyright Infringement Of Architectural Drawings And Architectural Works

The measure of damages for copyright infringement is specified by statute as the copyright owner’s actual damages suffered as a result of the infringement, and any additional profits of the infringer that are attributable to the infringement and which are not taken into account in computing the actual damages. 17 U.S.C. § 504 (2005). If the copyright owner has obtained a registration of his or her claim of copyright prior to the infringement, the copyright owner may be entitled to claim statutory damages and attorneys’ fees. See 17 U.S.C. § 412 (2005).

To succeed in a copyright action, the copyright owner must show that the alleged copying is beyond the scope of a license possessed by the alleged infringer, and the source of the copyright owner’s complaint must be grounded in a right protected by copyright. Storage Technology Corp. v. Custom Hardware Engineering & Consulting, Inc., 421 F.3d 1307, 1315-16 (Fed. Cir. 2005); John G. Danielson, Inc. v. Winchester-Conant Props., Inc., 322 F.3d 26, 41 (1st Cir. 2002) (“uses of the copyrighted work that stay within the scope of a nonexclusive license are immunized from infringement suits.”). A licensee can infringe the licensed copyright if the licensee does some act that exceeds the scope of the license. S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1087 (9th Cir. 1989) (a “licensee infringes the owner’s copyright if its use exceeds the scope of its license.”).

An important issue concerning the measure of damages for copyright infringement in the case of architectural drawings and architectural works involves the infringer’s “indirect profits.” 17 U.S.C. § 504. Under copyright law, a copyright holder must establish the existence of a causal link before indirect profits damages can be recovered. Mackie v. Rieser, 296 F.3d 909, 914 (9th Cir. 2002), cert. denied, 537 U.S. 1189 (2003). Indirect profits cannot be awarded if they are only remotely or speculatively attributable to the infringement. Id.

In the past, before there were any copyrights in architectural works, damages for copyright infringement based upon architectural drawings and plans was limited. Because the construction of the building was not an infringement of the copyright in the architectural drawings, if the copyright owner was an architect or someone who was not in the business of selling buildings, actual damages could not be based upon the sale of the building (as opposed to the sale of the architectural drawings themselves). Efforts to recover the money that a defendant made from the sale of the building under such circumstances would require an “indirect profits” analysis, which is discussed below. However, now that there are copyrights for architectural
works, profits from the sale of the building become direct profits attributable to the infringement of the copyright in the architectural work.

3. Actual Damages

The potential damages for copyright infringement based upon architectural drawings and plans would include the architect’s actual damages, if any, suffered as a result of unauthorized copies being made, or derivative works being prepared, of the architectural drawings. “Actual damages are usually determined by the loss in the fair market value of the copyright, measured by the profits lost due to the infringement or by the value of the use of the copyrighted work to the infringer.” McRoberts Software, Inc. v. Media 100, Inc., 329 F.3d 557, 566 (7th Cir. 2003); Polar Bear Productions, Inc. v. Timex Corp., 384 F.3d 700, 708 (9th Cir. 2004); Baker v. Urban Outfitters, Inc., 254 F. Supp.2d 346, 356 (S.D.N.Y. 2003) (“Typically, a plaintiff establishes impairment of market value by demonstrating that he lost sales or other profits that he would have obtained from the sale or license of the infringed work ‘but for’ the defendant’s infringement.”). The profits lost by an architect based upon copyright infringement of architectural drawings are often the same as the compensation that would have been due under the contract for use of the drawings.

In Ocean Atlantic Woodland Corp. v. DRH Cambridge Homes, Inc., 262 F. Supp.2d 923 (N.D. Ill. 2003), the basis for calculating damages for copyright infringement of development plans was held to be “either the reasonable cost of acquiring such a plan or the value of [the defendant’s] use of the plan.” 262 F. Supp.2d at 928. The court said, “In cases like this, when a developer pays for the use of the plan and uses it for its intended purpose, the copyright owner’s claims are exhausted, because a developer’s profit from developing the land is independent from the cost of acquiring the copyrighted plan.” Id.

In some cases, an architect’s actual damages for copyright infringement are the same as the damages for breach of contract. In Sparaco v. Lawler, Matusky, Skelly Engineers LLP, 313 F. Supp.2d 247 (S.D.N.Y. 2004), a contractual provision between the owner and the plaintiff was found to have been breached when the owner hired another surveyor and then permitted him to modify the plaintiff’s pre-existing site plan drawings for use on a revised project. In a previous decision, the district court had granted summary judgment on the breach of contract claim, and the parties subsequently settled the contract claim. After the contract claim was settled in the Sparaco case, the defendants moved for summary judgment on grounds that the breach of contract damages were for the same copying that formed the basis for the copyright infringement claim, and settlement of the contract claim compensated the plaintiff for the same loss that formed the basis for the copyright claim. The court agreed, and granted summary judgment on grounds that the plaintiff was not entitled to a double recovery. The court said:

“When NMF breached the contract by permitting LMS to copy Sparaco’s plan, without his consent and without compensating him for the re-use of his drawings, Plaintiff was damaged in an amount coextensive with the actual damages he could recover for the infringement of his copyright. Because Sparaco’s actual copyright

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damages and his contract damages are coextensive, settling the one claim eliminated his ability to recover actual damages for the other.”

313 F. Supp.2d at 252.

A plaintiff is not entitled to recover twice for the same injury. Computer Associates International v. Altai, Inc., 982 F.2d 693, 720 (2nd Cir. 1992) (the plaintiff could not receive “double recovery where the damages for the copyright infringement and trade secret misappropriation are coextensive.’”). There can be no double recovery where “the breach of contract damages arose from the same copying and included the same lost sales that form the basis for the copyright damages.” Bowers v. Baystate Techs., Inc., 320 F.3d 1317 (Fed. Cir.), cert. denied, 539 U.S. 928 (2003); see also Graham v. James, 144 F.3d 229, 238 n.4 (2nd Cir. 1998) (any contract damages representing actual copyright damages must be subtracted from the final copyright award to avoid double recovery); Softel, Inc. v. Dragon Med. & Scientific Communications, Inc., 118 F.3d 955, 969-70 (2nd Cir. 1997) (affirming district court’s disallowance of double recovery on copyright infringement and misappropriation of trade secrets claims), cert. denied, 523 U.S. 1020 (1998). Thus, in a dispute between an architect and someone who hired the architect to design a building, if the architect recovers damages for breach of contract, any actual damages awarded for copyright infringement should be reduced to the extent necessary to avoid a double recovery.

Eales v. Environmental Lifestyles, Inc., 958 F.2d 876 (9th Cir.), cert. denied, 506 U.S. 1001 (1992), is a case in which the plaintiff was an architect, and the defendants used her architectural plans to construct a house. Her architectural plans were machine copied by one of the defendants, but the title block identifying the architect had been removed. 958 F.2d at 878. The plaintiff recovered actual damages in the amount of her usual fee of $4.00 per square foot for a custom home. The court said that the plaintiff “is entitled to the lost fair market value of the architectural plans” measured by “what a willing buyer would have been reasonably required to pay a willing seller for plaintiff’s work.” 958 F.2d at 880.

Actual damages have been defined as “the extent to which the market value of a copyrighted work has been injured or destroyed by an infringement.” Mackie v. Rieser, 296 F.3d at 917, quoting Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 772 F.2d 505, 517 (9th Cir. 1985). As mentioned above, to determine market value a hypothetical approach may be used: what a willing buyer would have been reasonably required to pay to a willing seller for the copyright owner’s work. Mackie v. Rieser, 296 F.3d at 917. In a dispute between an architect and someone who hired the architect to design a building, the parties typically have a contract that specifies the basis for the compensation that would have been paid to the architect. Thus, a market value measure based upon this approach would be coextensive with the contract damages. John G. Danielson, Inc. v. Winchester-Conant Properties, Inc., 322 F.3d 26, 50 (1st Cir. 2003) (“If, for example, [plaintiff] demonstrated the amount of compensation that it might have obtained from [defendant], but had lost because [defendant] unlawfully copied the drawings instead, that sum would serve as a good measure of actual damages.”). It is conceivable that contract damages and copyright damages might not be the same if the architect can prove that the price that the owner would be required to pay for the disputed architectural drawings and plans is
greater than the contract price agreed to between the parties. See Holabird & Root Architects Engineers Interiors v. Physicians Management of Indiana, Inc., No. 94-C-1919, 1995 U.S. Dist. LEXIS 5442, *13 (N.D. Ill. April 20, 1995) (“It may be that $42,208 [the contract price] represents a fair assessment of market value of the architectural plans. It may also be true that a willing buyer would have to pay more than this figure to obtain use of the plans for purposes of constructing the surgery center.”).

Typically, architectural drawings and plans do not have a market value in the sense that the drawings could be sold on the market to other customers. Sparaco v. Lawler, Matusky, Skelly Engineers LLP, 313 F. Supp.2d 247, 252 (S.D.N.Y. 2004) (“There is no evidence in the record that the site plan had any intrinsic value except to the site’s developer.”).

In Polar Bear Productions, Inc. v. Timex Corp., 384 F.3d 700, 708-09 (9th Cir. 2004), the Ninth Circuit affirmed a jury verdict awarding actual damages based upon the license fee that the plaintiff would have received if the defendant had licensed the copyrighted material.

In the case of Robert R. Jones Assoc. v. Nino Homes, 858 F.2d 274 (6th Cir. 1988), the plaintiff was a custom homebuilder that owned the copyright in architectural plans for a house. The plaintiff distributed a promotional brochure that contained abridged floor plans for the custom home, and the abridged floor plans in the brochure were photocopied by the defendant competitor and sent to an architectural firm with instructions to copy the plans. 858 F.2d at 275. The defendant used the copied plans to build houses that were “virtually identical” to the plaintiff’s design. The trial court found that, had the defendant not sold seven homes built according to the infringing copies, the plaintiff would have sold seven additional houses. 858 F.2d at 276. Finding that the construction of a house was not an infringement of the copyright in the architectural plans, the court nevertheless affirmed an award of the profits that the plaintiff would have made if it had sold the seven homes that the defendant built using the infringing plans. The court held that, “where someone makes infringing copies of another’s copyrighted architectural plans, the damages recoverable by the copyright owner include the losses suffered as a result of the infringer’s subsequent use of the infringing copies.” Id. at 280.

Normally, an architect is not in the business of selling buildings, and his or her only losses would be architectural fees. Thus, cases like Robert R. Jones Assoc. involving the use of copied architectural plans to construct buildings in competition with another builder are inapposite. See also Arthur Rutenberg Homes, Inc. v. Maloney, 891 F. Supp. 1560, 1568 (M.D. Fla. 1995) (“The proper measure of actual damages for the infringement of copyrighted architectural drawings owned by a builder and infringed by a competing builder is the lost profits suffered by the plaintiffs from the home constructed pursuant to the infringing plans.”) (emphasis added).

In the case of Eiben v. A. Epstein & Sons International, Inc., 57 F. Supp.2d 607 (N.D. Ill. 1999), the plaintiff architect sought actual damages in a case where his original plans were used 10 years later when the owner sought to renovate the building that had been constructed with the plaintiff’s architectural plans. The court denied any recovery of actual damages based solely on the architect’s claim that he would have demanded from $100,000 to $150,000 for the use of his
drawings used 10 years earlier to construct the original building. The court said that the “barren record” consisting solely of the architect’s assertion of what he would have charged provided only a speculative basis for proving actual damages. The court ruled that the plaintiff would be precluded from prejudicing the jury with the presentation of such evidence because it was too speculative. 57 F. Supp.2d at 612-13.

4. **Direct Profits**

A copyright owner may recover any additional profits of the infringer that are attributable to copies being made, or derivative works being prepared, and which are not taken into account in computing the actual damages. 17 U.S.C. § 504 (2005). Direct profits are profits generated by the sale of an infringing product. *Polar Bear Productions, Inc. v. Timex Corp.*, 384 F.3d 700, 710 (9th Cir. 2004); *Associated Residential Design, LLC v. Molotky*, 226 F. Supp.2d 1251, 1254 (D. Nev. 2002). In most cases involving architectural plans and drawings, there are no direct profits, because the alleged infringer does not sell copies of the architectural drawings themselves. The potential exposure for an award of direct profits is significantly different now that there is a copyright in architectural works. Profits made on the sale of a building embodying an architectural work copyright are direct profits attributable to a “copy” being made, if the construction of the building was an infringement of the architectural work copyright.

Recent decisions by the Ninth Circuit correctly apply the distinction between direct profits and indirect profits. However, an earlier decision by the court in *Eales v. Environmental Lifestyles, Inc.*, 958 F.2d 876 (9th Cir.), cert. denied, 506 U.S. 1001 (1992), affirmed an award of “direct profits” to an architect whose architectural plans were used to construct a house. The court said that it was correct to calculate “direct profits” as the amount that the plaintiff architect would have made on the house if she had sold the house herself. 958 F.2d at 881. In addition to actual damages, the plaintiff recovered the profits that the defendant builder made when it sold the home that was built using the plaintiff’s copyrighted architectural plans. Because the profits awarded in the *Eales* case were not made from selling the copyrighted drawings, but rather from selling the home constructed using the drawings, the profits award should more appropriately have been labeled an award of “indirect profits” in connection with the copyright on the architectural plans and drawings. If a copyright in an architectural work is at issue, profits from the sale of a building embodying the architectural work become direct profits.

5. **Indirect Profits**

Indirect profits are profits attributable to the infringement, but which do not result from sales of infringing products. *Polar Bear Productions, Inc. v. Timex Corp.*, 384 F.3d 700, 710 (9th Cir. 2004). A copyright holder must establish the existence of a causal link before indirect profits damages can be recovered. *Mackie v. Rieser*, 296 F.3d 909, 914 (9th Cir. 2002), cert. denied, 537 U.S. 1189 (2003); *Polar Bear Productions, Inc. v. Timex Corp.*, 384 F.3d 700, 710 (9th Cir. 2004). Indirect profits cannot be awarded if they are only remotely or speculatively attributable to the infringement. *Mackie v. Rieser*, 296 F.3d at 914; *Polar Bear Productions, Inc. v. Timex Corp.*, 384 F.3d at 711 (“When an infringer’s profits are only remotely and speculatively attributable to infringement, courts will deny recovery to the copyright owner.”),
quoting 4 NIMMER ON COPYRIGHT § 14.03, at 14-34 (2003). Thus, a copyright infringement plaintiff seeking to recover indirect profit damages must proffer some evidence that the infringement at least partially caused the profits that the infringer generated as a result of the infringement. *Polar Bear Productions, Inc. v. Timex Corp.*, 384 F.3d at 711. Claims for indirect profits “are difficult to prove and are often unsuccessful.” *Rainey v. Wayne State University*, 26 F. Supp.2d 963, 971 (E.D. Mich. 1998).

Section 504(b) of the copyright statute sets forth the evidentiary burdens for recovery of profits: “The copyright owner is entitled to recover . . . any profits of the infringer that are attributable to the infringement. . . . In establishing the infringer’s profits, the copyright owner is required to present proof only of the infringer’s gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.” 17 U.S.C. § 504(b) (2005). However, the term “revenue” in the statute means “gross revenue reasonably related to the infringement, not unrelated revenues.” *Davis v. The Gap, Inc.*, 246 F.3d 152, 160 (2nd Cir. 2001).

Section 504(b) creates a two-step framework for recovery of indirect profits: (1) the copyright claimant must first show a causal nexus between the infringement and the gross revenue; and (2) once the causal nexus is shown, the infringer bears the burden of apportioning the profits that were not the result of infringement. *Polar Bear Productions, Inc.*, 384 F.3d at 711; see also *University of Colorado Foundation, Inc. v. American Cyanamid Co.*, 196 F.3d 1366, 1375 (Fed. Cir. 1999) (holding that plaintiff has the burden to demonstrate some nexus between infringement and profits before apportionment can occur), cert. denied, 529 U.S. 1130 (2000). In other words, once the copyright owner shows a casual nexus with a certain category of the infringer’s revenue, the statute creates an initial presumption that the infringer’s profits attributable to the infringement are equal to the infringer’s gross revenue. *Bouchat v. Baltimore Ravens Football Club, Inc.*, 346 F.3d 514, 520 (4th Cir. 2003), cert. denied, 541 U.S. 1042 (2004).

The case of *Ocean Atlantic Woodland Corp. v. DRH Cambridge Homes, Inc.*, 262 F. Supp.2d 923 (N.D. Ill. 2003), involved the alleged infringement of development plans to build homes in a development. The court refused to allow discovery into the defendant’s profits from the sale of homes in the development, and said, “once the developer pays for the acquisition of the architectural plan, whether he makes profits or loses money in constructing the building is of no concern to the copyright owner.” 262 F. Supp.2d at 928. However, this case only involved a copyright on architectural drawings and plans. A different result might be reached if the copyright on an architectural work was in issue. Because an architectural work copyright covers the design of the building itself, a defendant’s profits on the sale of buildings embodying the copyrighted work would be relevant.

Cases in which indirect profits have been allowed usually involve the use of infringing materials to advertise or promote the sale of other products, and there is some evidence establishing a causal connection between the infringing advertisement and the infringer’s profits that the copyright owner seeks to recover.
In Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 772 F.2d 505 (9th Cir. 1985) (“Frank I”), and Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 886 F.2d 1545 (9th Cir. 1989) (“Frank II”), cert. denied, 494 U.S. 1017 (1990), the MGM Grand presented a musical revue entitled Hallelujah Hollywood in the hotel’s Ziegfeld Theatre. The show included ten acts, and one of the acts infringed the plaintiff’s copyright in a dramatico-musical play. The infringing act used the plaintiff’s music, lyrics, characters, settings, and costume designs. The infringing production was performed approximately 1700 times over a period of more than two years. In addition to direct profits from ticket sales to Hallelujah Hollywood, damages also included indirect profits from the hotel and gaming operations.

In Frank I, the court found that Hallelujah Hollywood had promotional value and was used to draw people to the hotel and the gaming tables. MGM’s 1976 annual report stated that “[t]he hotel and gaming operations of the MGM Grand--Las Vegas continue to be materially enhanced by the popularity of the hotel’s entertainment[, including] ‘Hallelujah Hollywood’, the spectacularly successful production revue....” The court held that, given the promotional nature of Hallelujah Hollywood, indirect profits from the hotel and gaming operations, as well as direct profits from the show itself, were recoverable if ascertainable. Frank I, 772 F.2d at 517. On remand, the district court concluded that two percent of the MGM Grand’s indirect profit was attributable to Hallelujah Hollywood. Frank II, 886 F.2d at 1550. The infringing act in Hallelujah Hollywood was found to comprise 12% of the total weekly running time of the production, and the court attributed 75% of the infringing act to the plaintiff’s copyrighted material. Thus, the indirect damages were calculated as 75% of 12% of 2% of the MGM Grand’s profits, which came out to be $699,963.10. Frank II, 886 F.2d at 1548 n.2 & 1550.

In Frank II, the court refused to award indirect damages based on the increased stock price of the parent corporation attributable to the success of the MGM Grand, on grounds that it was too speculative and the relationship between such profits and the infringement too attenuated to justify an award of additional damages. Frank II, 886 F.2d at 1553-54.

In Mackie v. Rieser, 296 F.3d 909 (9th Cir. 2002), cert. denied, 537 U.S. 1189 (2003), an artist brought a claim for indirect profits against the symphony, because the symphony included infringing images of the artist’s sculpture in their advertising brochure used in a direct-mail subscription campaign sent to approximately 150,000 individuals located throughout the United States. The copyright owner sought the recoupment of profits that the symphony generated during the season, and demanded profits from future seasons, arguing that many patrons who subscribed to the symphony because of the infringing use of the image in the brochure later renewed their subscriptions. One of the symphony’s documents stated that the symphony “hoped or expected to get a return rate of 1.5% for its season ticket brochures.” 296 F.3d at 913.

The Mackie court said that even if the 1.5% aspirational yield percentage could be applied to determine how many people subscribed because of the brochure, such a rudimentary analysis cannot determine how many of those individuals subscribed because of the infringing image of the sculpture. The court of appeals affirmed summary judgment for the defendant symphony on grounds that there was no non-speculative evidence sufficient to create a triable issue of fact on a causal link between the symphony’s infringing use of the image in the brochure
and any revenue generated through the inclusion of the image in the direct-mail literature. The court said there were endless reasons why an individual might decide to subscribe to the symphony that had nothing to do with the copyrighted artwork, such as the symphony’s reputation, the conductor, a specific musician, the dates of concerts, the new symphony hall, the program, or simply a love of music. The plaintiff’s own expert had testified that he could not understand how it would be possible to establish a causal link between the symphony’s infringing use of the artwork and any revenues generated through the inclusion of the image in the direct-mail literature. 296 F.3d at 916.

In the case of Polar Bear Productions, Inc. v. Timex Corp., 384 F.3d 700 (9th Cir. 2004), the plaintiff produced copyrighted film footage for the defendant showing stars of whitewater kayaking paddling through exotic locales while using equipment bearing the Timex logo. However, Timex continued to use the film footage at trade shows long after its one-year license had expired. The court of appeals reversed a jury verdict awarding a percentage of Timex’s increased revenue during the period of time that the promotional film was used without authorization. Because the infringing film was only shown at trade shows, there was no evidence that actual retail purchasers were ever exposed to the infringing images or that the enthusiasm generated among wholesalers and retailers by the advertising was somehow transmitted to retail customers. The proof offered by the plaintiff failed to explain how the infringement influenced the purchasing decisions of retail customers that led to the increased profits. 384 F.3d at 715.

In the case of On Davis v. The Gap, Inc., 246 F.3d 152 (2nd Cir. 2001), the plaintiff had submitted evidence that, during and shortly after the Gap undertook an eyewear advertising campaign that infringed his copyright, the Gap’s corporate parent realized net sales of $1.668 billion, an increase of $146 million over the revenues earned in the same period of the preceding year. 246 F.3d at 159. The On Davis court acknowledged that “a highly literal interpretation of the statute would favor” the plaintiff, since the statute requires that the copyright owner “present proof only of the infringer’s gross revenue.” Id. at 160, quoting 17 U.S.C. § 504(b) (2001). The court, however, held that “the term ‘gross revenue’ under [§ 504(b)] means gross revenue reasonably related to the infringement, not unrelated revenues.” Id. Because the gross revenue of $1.668 billion that the plaintiff submitted was derived in part from sales “that were in no way promoted by the [infringing] advertisement,” the court affirmed the summary judgment award in favor of the Gap. 246 F.3d at 161.

In the case of Bouchat v. Baltimore Ravens Football Club, Inc., 346 F.3d 514 (4th Cir. 2003), cert. denied, 541 U.S. 1042 (2004), a Baltimore security guard and amateur artist created a drawing of a winged shield as a logo for the Ravens team when he heard the announcement that the team was moving from Cleveland to Baltimore. He sent his drawing via fax to the Maryland Stadium Authority with a note on the drawing to send the sketch to the Raven’s president. The plaintiff also included a request that if the Ravens used the drawing, that they send him a letter of recognition and an autographed helmet. In an earlier bifurcated trial on liability, the jury had found that the drawing was mistakenly used in the Raven’s new logo referred to as the “Flying B.” The Ravens used the Flying B as their primary identifying symbol,
and the logo appeared on the team uniforms, stationery, tickets, banners, on-field insignia, and merchandise. 346 F.3d at 516-17.

At the damages trial in the Bouchat case, the jury returned a verdict finding the defendants had proven that merchandise revenues from the sale of t-shirts, caps, souvenir cups, and other items bearing the Flying B logo were attributable entirely to factors other than the defendants’ infringement of the plaintiff’s copyright. 346 F.3d at 519. The trial court had granted partial summary judgment in favor of the defendants, and excluded certain revenues from consideration by the jury. The issue before the court of appeals was limited to an appeal from the partial summary judgment orders. In moving for summary judgment, the defendants had offered affidavits showing that the excluded revenues were driven by consumer interest in NFL football, and were in no way responsive to logo design. 346 F.3d at 525. The summary judgment orders were affirmed because the plaintiff offered no evidence in opposition demonstrating the existence of a triable issue of fact. The court of appeals said his failure to offer evidence in opposition to the summary judgment motions was “unsurprising,” because “no reasonable trier of fact could find that the sale of a ticket, or of a sponsorship, or of broadcast rights was in any way a consequence of the team’s adoption of one logo design rather than another.” 346 F.3d at 525 n.10.

In Taylor v. Meirick, 712 F.2d 1112 (7th Cir. 1983), the defendant was a mapmaker who copied and sold three of plaintiff’s copyrighted maps. The defendant also sold 150 different maps as well as other merchandise during the same time period. 712 F.2d at 1119. As evidence of the defendant’s profits, the plaintiff estimated the percent of total net profits allocable to the sale of infringing maps and ignored the fact that the plaintiff sold other non-infringing maps as well as other merchandise. The court required the plaintiff to establish some type of nexus between the infringement and the infringer’s gross revenues before the burden shifts to the infringer. The court held that “all that [the burden shifting language of § 504(b)] means is that [the plaintiff] could have made out a prima facie case for an award of infringer’s profits by showing [the defendant’s] gross revenues from the sale of the infringing maps. It is not enough to show [the defendant’s] gross revenues from the sale of everything he sold, which is all, really, that [the plaintiff] did.” 712 F.2d at 1122. In order to illustrate the nexus concept, the court stated, “If General Motors were to steal your copyright and put it in a sales brochure, you could not just put a copy of General Motors’ corporate income tax return in the record and rest your case for an award of infringer’s profits.” Id. at 1122.

In the case of Rainey v. Wayne State University, 26 F. Supp.2d 963 (E.D. Mich. 1998), the automaker Mercedes-Benz used the plaintiff’s artwork in a brochure. The brochure was distributed at an auto show, and about 2,000 of the brochures were distributed at press conferences, special events and VIP receptions. 26 F. Supp.2d at 970-71. The court granted summary judgment in favor of the defendant precluding any claim for indirect profits, because the infringing brochure only benefited the defendant indirectly in the form of enhanced goodwill, and could not be traced to any car sales. Id. at 971 (“Damages must be based on credible evidence, not speculation.”).
In *Andreas v. Volkswagen of America, Inc.*, 336 F.3d 789 (8th Cir. 2003), the Eighth Circuit held that a copyright plaintiff adequately established the causal nexus between an automobile manufacturer’s use of infringing material in a widely-aired commercial and a portion of profits from the sale of the automobile. 336 F.3d at 797-98. In that case, the infringing material “was the centerpiece of a commercial that essentially showed nothing but [the advertised product] . . . [the infringer] enthusiastically presented the commercial to its dealers as an important and integral part of its launch of [the product] . . . sales of the [product] during the period that the commercial aired were above [infringer’s] projections; the [] commercials received high ratings on . . . surveys that rated consumer recall of the commercials; and [infringer] paid [the advertising company that created the commercial] a substantial bonus based on the success of the commercials.” *Id.* at 796-97.

In the case of *Estate of Vane v. The Fair, Inc.*, 849 F.2d 186 (5th Cir. 1988), cert. denied, 488 U.S. 1008 (1989), indirect damages were denied on grounds that they were too speculative. In that case, a photographer prepared slides showing the defendant’s merchandise for printed advertising material. However, the defendant also used some of the copyrighted slides in television commercials without authorization from the copyright owner. The plaintiff offered expert testimony concerning a multiple regression analysis designed to show how much each dollar that the defendant spent on television advertising would yield in sales. A detailed discussion of the expert’s model is helpful in understanding why the evidence was deemed to be too speculative.

In the *Estate of Vane* case, the expert examined monthly data, including profit-and-loss statements and summaries of media costs over a five-year period. He calculated that the defendant sold approximately $25.60 in merchandise for every dollar it spent on television advertising. He multiplied $25.60 by the number of dollars the defendant spent on the infringing television commercials to yield a gross revenue figure, then deducted certain costs to the defendant, including the actual cost that the defendant had paid for the merchandise it sold, transportation charges for getting the merchandise to the stores, a 3% allowance for pilferage, and some other direct operating expenses, and then adjusted the resulting figure for inflation. The expert’s model purported to consider seasonal sales trends, specifically the pre-Christmas boom in sales; the downward economic trend in the Houston area in the early 1980’s; and the carryover effect by which an advertisement continues to contribute to some sales long after its initial airing, in an effort to produce a model that would analyze with the greatest possible precision the relationship between advertising dollars spent and resulting profits. 849 F.2d at 188.

The court found too many potential shortcomings in this analysis, and determined that the proof was too speculative. The expert’s model yielded only a lump-sum figure for profits attributable to the television commercials that contained infringed material as a whole, without accounting for the fact that the infringed material constituted only a fraction of any given commercial.

In the *Estate of Vane* case, the cost of slides used in a commercial was only one of many expenses involved. The single figure for “dollars spent on television advertising” used by the
expert included expenditures for photographs used in the commercial, fees paid to the producer of the commercial, and air time for showing the commercial. The expert’s model treated the entire profits derived from airing the commercial as attributable to the five infringed slides. Even if the expert’s analysis accurately showed the relationship between dollars spent on advertising and profits yielded, the court said it did not provide a basis for showing what portion of the profits the commercials yielded were attributable to the infringement.

In the Estate of Vane case, the infringed slides appeared during only part of the time the commercials were on the air. The general format of the commercials in question consisted of a “trailer” or introductory film segment setting forth a theme for the commercial, followed by a segment featuring various items of merchandise, concluding with another brief trailer. The infringing slides appeared only in the middle segments of the commercials, and the middle segments also contained non-infringing slides. The court found that the expert’s model did not purport to show the relative importance of different elements of the commercials in generating profits for the defendant. 849 F.2d at 188-89.

In Eales v. Environmental Lifestyles, Inc., 958 F.2d 876 (9th Cir.), cert. denied, 506 U.S. 1001 (1992), the court of appeals affirmed an award to an architect of the profits that the defendants made when they sold a house that was built using the plaintiff’s architectural plans. In that case, there was a nexus between the infringed architectural plans and the profits made on the sale of the house, because the homeowner specifically wanted a house constructed in accordance with plan #3 (based on plaintiff’s architectural plans) offered by a previous builder who went out of business. The defendant builder had never before constructed a house. 958 F.2d at 878. The defendant builder used the architectural plans that the architect had prepared for the previous builder. On the question of apportionment, the court said, “we do not discuss whether it would have been appropriate for the district judge to award only those profits directly attributable to the use of the plans. As [defendants] conceded at oral argument, the district judge was not obliged in any event to trace the degree to which the plans contributed to total profits in the absence of any offer of proof on the issue by the defendants.” 958 F.2d at 881 n.6 (citations omitted).

The case of Cream Records, Inc. v. Jos. Schlitz Brewing Co., 754 F.2d 826 (9th Cir. 1985), in which the plaintiff was awarded indirect profits based on malt liquor sales supposedly generated by the brewer’s infringing use of material in television commercials, is not authoritative on the recovery of indirect profits. The question of whether indirect profits could be awarded in that case was not appealed, and the Ninth Circuit has itself disregarded the Cream Records decision as providing no guidance on the recovery of indirect profits. Mackie v. Rieser, 296 F.3d at 914 n.4.

The case of Associated Residential Design, LLC v. Molotky, 226 F. Supp.2d 1251 (D. Nev. 2002), did not address the question of whether indirect profits could be awarded. In that case, the question presented to the court was a very narrow one: whether the infringers who infringed copyrighted plans to build their own house had to sell the house before the plaintiff could recover any “profits.” However, the court did not decide whether the plaintiff could survive summary judgment by proffering sufficient non-speculative evidence to support a causal

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relationship between the infringement and the profits allegedly generated indirectly from such infringement. 226 F. Supp.2d at 1256.

6. **Does Reconstruction Of A Building Infringe The Copyright In The Architectural Work?**

   An interesting issue arises when a building is destroyed by fire, earthquake, hurricane, or other natural disaster. Is the copyright in the architectural work infringed by rebuilding the building? Although section 120 of the statute gives the owner of the building the right to destroy the building (limiting the scope of “moral rights” under 17 U.S.C. § 106A), or to make alterations to the building (limiting the scope of the exclusive right to make derivative works under 17 U.S.C. § 106(2)), does section 120 limit the scope of exclusive rights under 17 U.S.C. § 106(1) to reproduce an architectural work?

   The legislative history supports a conclusion that Congress intended the term “alterations” to include repairs to a building. The initial bill introduced into Congress attempted to draw a distinction between “minor alterations” and “other alterations” as follows:

   “*Alterations of Buildings.*—The owners of a building or other three-dimensional structure embodying an architectural work may, without the consent of the author or copyright owner of the architectural work, make or authorize the making of—
   “(1) minor alterations to such building or structure for any purpose, or
   “(2) other alterations to such building or structure that are necessary to repair the building or structure.”


   The architects testifying at the hearing criticized the proposed distinction between “minor alterations” and “other alterations,” and urged Congress to provide the owner of a building with
the right to make any alterations or repairs to his building.\(^1\) For example, the statement of Michael Graves said:

> “Several provisions of H.R. 3990 have the potential of creating conflicts between the owner of a building and the holder of the copyright, which is assumed to be the architect. The potential negative impact upon the owner-architect relationship could be avoided by minimizing restrictions on owners to modify their buildings. I strongly advocate the assignment to the owner of all rights to alter, repair, or demolish an existing building regardless of whether a third party holds the copyright.”

1990 Hearings, at 24 (statement of Michael Graves). Mr. Graves was questioned about this provision of his statement:

> “Mr. COBLE: In your statement, Mr. Graves, at page 13, you state, and I quote:”

> “I strongly advocate the assignment to the owner of all rights to alter, repair, or demolish an existing building regardless of whether a third party holds the copyright.”

> “Now the bill would permit the owner of the building to effect only minor alterations. You recommend that, as I read your statement, that we make it clear in the legislation that the owner of the building has all rights to alter and demolish a building.”

> “This may be difficult to answer, Mr. Graves, but do you think most of the architects in the country share this view?”

Mr. GRAVES: It’s very realistic to understand this, whether the architects would agree or not, I’m not sure. It’s my assumption that the American Institute of Architects represented here today agree with that. But in certain instances, architects themselves own their own buildings. They should be allowed to alter or change, demolish, or add to their buildings.”

1990 Hearings, at 39. Mr. Graves pointed out that buildings such as the Metropolitan Museum and St. Peter’s in Rome have been altered, changed, added to, and subtracted from by other great architects, and that buildings ought to be capable of growth and change. 1990 Hearings, at 39-40.

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\(^1\) “Curiously, the pressure for this provision came not from building owners but from certain architects who appeared before Congress actively disclaiming any desire to prevent building owners from altering or destroying the building. Thus, unlike the Visual Artists Rights Act, in which Congress attempted to chart some middle course through the interests of creators and building owners, Congress here simply adopted the testifying architect’s suggestion and gave full discretion to building owners to alter or destroy the structures.” Ginsburg Commentary, at 494.
The Register of Copyrights testified next, and noted that H.R. 3990 as it was currently
drafted permitted owners of buildings to make necessary repairs and to make minor alterations
for any reason, but that they could not make major alterations without the copyright owner’s
permission. Then he said:

“They witnesses who have submitted written statements agree that this
distinction should be changed. They want to permit the owners of buildings to
do whatever they want. If this proves to be a universally held view, the
Copyright Office would support amending 3990 to reflect this change.”

1990 Hearings, at 44 (emphasis added). The Register’s prepared statement went on to say:

“[I]t is my understanding that the issues of alterations and ownership of rights are
frequently very sensitive negotiation items. I have doubts about the wisdom of
enmeshing the copyright law in these type of disputes, especially given possible
difficulties in determining when an alteration is a ‘minor’ one, and was not
surprised to learn that architects agreed. I was, though, surprised to learn that in
conversations with my staff, architects expressed the belief that the best
approach is to let owners of buildings do what they want with the building,
including the making of major alterations and destruction. They only wish to
have the right to disclaim association with the work if the alterations materially
change their creation.”

1990 Hearings, at 76 (statement of Ralph Oman, Register of Copyrights) (emphasis added). The
Register of Copyrights was followed by the Assistant Commissioner for Trademarks at the
Patent and Trademark Office, who expressed the view of the administration:

“In the absence of agreement, however, we believe that building owners should
have the flexibility to effect reasonable alterations to the structures they own,
even to demolish them, in light of the effects of time, changing uses and needs,
and the evolution of taste. We fear that H.R. 3990 may be too restrictive in
limiting building owners to only ‘minor’ alterations and repairs.”

1990 Hearings, at 82 & 102 (testimony and statement of Jeffery M. Samuels, Assistant
Commissioner for Trademarks, Patent and Trademark Office) (“Indeed, the continued economic
viability of the architectural profession may depend on this flexibility – architects are commonly
employed to create designs that adapt, reconstruct or even replace the works of their
predecessors to meet new commercial or private expectations.”).

David A. Daileda testified on behalf of the American Institute of Architects, and expressed the
view of the AIA in opposition to H.R. 3990’s limitations on the building owner’s right to make
alterations or repairs to his building:

“The larger question, however, is whether there should be any limits on what an
owner may do with his or her property once it is constructed. Limitations imposed
through contractual agreement do not disturb us, and in fact may be wise as a means of limiting an architect’s liability for actions taken by the owner. The author’s exclusive rights to prepare derivative works, however, could prevent the owner of a building from making any change without the permission of the copyright owner design. That would have drastic effects on current practices in the building industry, and would inevitably result in disputes between the original architect and a later architect hired to design an addition or alteration. The AIA believes this is not desirable, and we suggest that the bill simply permit owners of buildings and structures embodying architectural works to make alterations and additions.”

1990 Hearings, at 118 (statement of David A. Daileda, on behalf of the American Institute of Architects). The final witness from the Frank Lloyd Wright Foundation expressed the unanimous view of all of the witnesses that “it’s very important that the owner be able to do what he wants to do in the building.” 1990 Hearings, at 130. See also 1990 Hearings, at 180 (“I totally agree. I think that if the owner alters the building far enough, he should lose the right to identify it with the architect’s name. But I certainly do not think you can prohibit an owner from altering a building or tearing it down.”). Representative Kastenmeier noted the agreement among the witnesses that there should not be a limitation on an owner of a building making repairs. 1990 Hearings, at 121. At one point Representative Kastenmeier questioned the Register of Copyrights on how the bill should be amended to accomplish that purpose:

“Mr. KASTENMEIER: Apparently a consensus among several who have spoken here this morning is that we certainly will have to revisit the issue of limiting owners to ‘minor alterations.’ Obviously that sort of limitation doesn’t seem to be something that is supported by anyone. What, Mr. Oman, would be the effect if we just eliminated section 120(e)(c) or do you think we ought to restate it in some other form?”

* * * * *

“Mr. OMAN: I think you could eliminate it and solve the problem on a legal drafting level. But I wonder if you want to make it clear in the legislation itself rather than in the legislative history that there is an affirmative right by the homeowner to make alterations when appropriate.”

“Mr. KASTENMEIER: I think you’re probably right.”

1990 Hearings, at 105.

including the Architectural Works Copyright Protection Act, which was signed into law by the President on December 1, 1990. Pub. L. No. 101-650, Title VII, 104 Stat. 5133 (Dec. 1, 1990).

The difference between H.R. 3990 and the enacted version of section 120(b) does not suggest any change in the intended meaning of the word “alterations.” Under the prior version of the proposed legislation, “minor alterations” could be done for any purpose. “Other alterations” could be done only if it involved necessary repairs. The meaning of the term “alterations” included “repairs.”

The final version of the statute discarded the distinction between “minor alterations” and “other alterations,” and the statute as enacted allowed all alterations to the building for any purpose. Pub. L. 101-650, §704, 104 Stat. 5133 (Dec. 1, 1990). Thus, because the term “other alterations” encompassed “repairs” in a prior version of the proposed legislation, the term “alterations” in 17 U.S.C. § 120(b) must be interpreted to encompass necessary repairs. The legislative history indicates that it was Congress’ intent to remove all restrictions on an owner’s right to make alterations or repairs of a building. Thus, rebuilding a building, repairing it, or making alterations to the building should not be an infringement of any copyright in the architectural work.

The standard contract language in AIA form contracts has been interpreted as providing a license to use architectural drawings and plans for subsequent renovations of a building. In the case of *Eiben v. A. Epstein & Sons International, Inc.*, 57 F. Supp.2d 607 (N.D. Ill. 1999), the plaintiff was an architect and developed plans for the construction of a Cook County Department of Corrections Residential Treatment Unit (“RTU Building”). The contract with the architect contained a clause taken from the standard AIA contract form, which stated:

Drawings and specifications as instruments of service are and shall remain the property of the Architect whether the Project for which they are made is executed or not. The County shall be permitted to retain specifications for information and reference in connection with the County’s use and occupancy of the Project. The drawings and specifications shall not be used by the County on other projects, for additions to this Project, or for completion of this Project by others, except by agreement in writing and with appropriate compensation to the Architect.

57 F. Supp.2d at 609.

Ten years later Cook County entered into contracts for the renovation of a wing occupying a portion of the RTU Building originally designed by the plaintiff. The defendants provided architectural and engineering services for the project. *Id.*

The renovation involved a corner room of some 2,300 square feet in a building that, according to the original plans, comprised a gross area of over 77,000 square feet). *Id.* More specifically, the RTU Building renovation involved transforming the corner room in the RTU Building that the plaintiff had initially designed as a large room that could accommodate about 30 beds (for a drug treatment center), into a tuberculosis isolation unit comprising 10 smaller
isolation rooms. The renovation also involved providing a new mechanical system and modifying the electrical and plumbing systems as necessary in that section of the RTU Building. *Id.* at 610.

In connection with their work on the RTU Building renovation, the defendants obtained plaintiff’s original RTU Building drawings from Cook County. Ultimately two of plaintiff’s drawings were included in a set of “bid documents” provided to subcontractors to aid them in bidding on the project. The plaintiff’s drawings were labeled “available information.” Also included in the bid documents were new architectural plans for the renovation that the plaintiff asserted were closely based on his original drawings of the RTU Building.

The defendants argued that because the plaintiff’s contract with Cook County included standard AIA contract language expressly permitting the use of “reproducible copies” of the drawings “in connection with the County’s use and occupancy” of the RTU Building, their copying of the drawings for inclusion in the set of bid documents was permissible, foreclosing the plaintiff’s contention that the copying constituted copyright infringement. *Id.* at 610. The court agreed.

According to the court, the pertinent legal issue was whether the renovation of the RTU Building was “in connection with the County’s use and occupancy of the [original] Project” or would instead be considered some “other project[]” or an “addition[]” to this Project” or “completion of this Project.” *Id.* The court held that the contract was unambiguous as a matter of law:

“That alteration in the use and occupancy of a fractional part of the RTU Building cannot arguably be characterized as an ‘other project[]’ within the contract’s meaning. Nor of course can that alteration fairly be labeled an ‘addition’ to the Project (that is, to the RTU Building itself), for it was a purely internal modification rather than a building addition. Nor can it be considered to be the ‘completion of this Project by others,’ for [plaintiff] had admittedly remained involved in the RTU Building’s construction through its completion--and of course the ten-year-later change in the use of a corner of one of the RTU Building’s floors was in no way a part of the building’s ‘completion.’”

57 F. Supp.2d at 611.

The court also held that the use of plaintiff’s drawings as points of reference in creating the plans for the renovation of the RTU Building was authorized under the unambiguous terms of the contract permitting the use of plaintiff’s drawings “for information and reference” in conjunction with the County’s “use and occupancy” of the building. The court said that the plaintiff’s contention that what was done in preparing the new architectural plans for the renovation involved a more extensive use of plaintiff’s work than simply “for information and reference” was “scotched by the other portion of [the contract] in which the parties specifically identified the three things for which the County could not use the drawings and specifications without [plaintiff’s] written agreement and without providing him ‘appropriate compensation.’”
57 F. Supp.2d at 612. The court held that the renovation of the RTU Building was clearly none of those three things, i.e., (1) some other project; (2) an addition to the Project; or (3) completion of the Project, but was rather activity “in connection with the County’s use and occupancy of the Project.” *Id.*

The court further explained:

“Where a change in the use of a portion of a building is involved, encompassing the partitioning of a previously open area into a number of rooms and the creation of necessary modifications in the systems serving that space, it is of course inevitable that the old plans must be drawn upon to prepare the new plans. [Plaintiff’s] beef that the new plans were derived from and were substantially similar to his earlier drawings is much like Portia’s contention that the contracted-for pound of flesh could not be extracted unless it were done without any accompanying drop of blood (William Shakespeare, Merchant of Venice act 4, sc. 1)–but here [plaintiff’s] consent to use of his work ‘for information and reference’ necessarily carried with it the right to use his drawings as the basis for the new plans covering the revisions in use of the space.”

57 F. Supp.2d at 612 n.5.

The court in the case of *Wright v. Tidmore*, 208 Ga. App. 150, 430 S.E.2d 72 (Ga. App. 1993), held that standard contract language from an AIA contract form authorized the owner’s use of the original architect’s drawings when the owner later sought to convert the apartment building into condominiums.

Ten years after an apartment complex was constructed using the plaintiff architect’s original drawings, the building owner took legal steps to convert the apartments into condominiums. No structural changes of any kind were made in the buildings, but documents were required by statute to be filed describing the layout of the units and certified by an architect. Those documents included plans prepared, signed, and sealed by a registered architect with a certification by the architect that he had viewed the property and that the structures were built in accordance with the plans. 208 Ga. App. at 150, 430 S.E.2d at 73.

Without obtaining the consent of the original architect, the owner hired a different architect to prepare the plats and plans in accordance with the statutory requirements for recording. The new architect inspected the property and utilized the owner’s copies of the plans for this purpose. In doing so, the new architect changed the word “apartments” to “condominiums,” re-dated the documents to conform to the date of the certification, identified the buildings by number instead of letter and added a designation for each individual condominium unit, and combined two sets of plans into one. He removed the original architect’s seal from the documents, but retained the original architect’s name and designated him as the design architect on the documents. In compliance with the statute, the new architect placed his own seal on the documents beside his certification that the buildings were constructed in accordance with the plans, and that there were no significant changes between the project as built.
and the design plans. The new architect did not keep the blueprints or use them for any other purpose. 208 Ga. App. at 151, 430 S.E.2d at 73.

In holding that the use of the architectural plans was authorized by the contract with the original architect, the court said:

“Under the express terms of the contract between the [architect] and the [owners], the [owners] were authorized to retain copies of the architectural plans for ‘information and reference’ in connection with their use of the project, and the submission of those plans to meet ‘official regulatory requirements or for other purposes in connection with the project’ did not violate the appellants’ rights with respect to the plans.”

“In connection with the eventual conversion of the apartment complex into a condominium complex, O.C.G.A. § 44-3-83(b) required submission of the plans of the structures prepared, signed, and sealed by a registered architect, and a certification by the architect that he had viewed the property and that the structures were constructed in accordance with the plans. This subsequent use of the plans by the [owners] was authorized by the terms of their contract with the appellants, and may not be regarded as a misappropriation. Similarly, inasmuch as O.C.G.A. § 44-3-111(b) requires that any seller of a condominium furnish prospective buyers with various documents, including a copy of the floor plan of the unit and a copy of the condominium declaration, any use of the plans for that purpose also was authorized under the contract, and did not constitute a misappropriation.”

208 Ga. App. at 152, 430 S.E.2d at 74.

D. THE WIZARD OF OZ

Understanding the legal landscape provided by copyright law will make you a wizard when it comes time to draft a contract involving architectural drawings and architectural works. Most potential copyright issues can be dealt with by providing appropriately drafted contract language.

1. Contract Issues

The American Institute of Architects provides standard form contracts for use by architects, and these contract forms have been widely used for many years. The standard AIA form contract includes provisions dealing with the copyright in the architectural drawings and plans. For example, the AIA standard contract provides:

“The Drawings, Specifications and other documents prepared by the Architect for this Project are instruments of the Architect’s service for use solely with respect to this Project and, unless otherwise provided, the Architect shall be deemed the

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author of these documents and shall retain all common law, statutory and other reserved rights, including the copyright. The Owner shall be permitted to retain copies, including reproducible copies, of the Architect’s Drawings, Specifications and other documents for information and reference in connection with the Owner’s use and occupancy of the Project. The Architect’s Drawings, Specifications or other documents shall not be used by the Owner or others on other projects, for additions to this Project or for completion of this Project by others, unless the Architect is adjudged to be in default under this Agreement, except by agreement in writing and with appropriate compensation to the Architect.”

The standard AIA form contract contemplates that the Owner would file documents required for the approval of governmental authorities. Under the standard AIA provisions, the submission or distribution of documents to meet official regulatory requirements or for similar purposes in connection with the project “is not to be construed as publication in derogation of the Architect’s reserved rights.”

The AIA standard contract does not include any provisions explicitly dealing with the copyright in the architectural work that is embodied in the drawings. Normally, the contract carries with it an implied license to construct the building. Foad Consulting Group, Inc. v. Azzalino, 270 F.3d 821, 828-29 & n.12 (9th Cir. 2001).

The AIA standard contract goes beyond copyright, and includes restrictions on the use of the drawings and plans. The “use” of architectural drawings is not an infringement of the copyright. The AIA standard contract clause provides that the architectural drawings and specifications “shall not be used by the Owner or others on other projects, for additions to this Project or for completion of this Project by others” without payment of “appropriate compensation” to the architect. Similar language has been construed to be a contractual obligation that goes beyond any rights that the architect would have under his copyright. Sparaco v. Lawler, Matusky, Skelly Engineers LLP, 60 F. Supp. 2d 247, 256-57 (S.D.N.Y. 1999), vacated on other grounds, 303 F.3d 460 (2nd Cir. 2002), cert. denied, 538 U.S. 945 (2003). A copyright is infringed only if copies of the drawings are made. Sparaco v. Lawler, Matusky, Skelly Engineers LLP, 60 F. Supp.2d 247, 251 (S.D.N.Y. 1999) (“As long as the new architect and the builder who carried out the architect’s vision did not make copies of Plaintiff’s copyrighted work (i.e., his site plan), they did not violate his copy-right.”) (emphasis in original), vacated on other grounds, 303 F.3d 460 (2nd Cir. 2002), cert. denied, 538 U.S. 945 (2003); see Demetriades v. Kaufman, 680 F. Supp. 658, 663 (S.D.N.Y. 1988) (“[A]lthough copyright protection extends to the particular explanation of an art or work, it does not protect use of the art or work described by the copyrighted publication.”) (emphasis in original), citing Baker v. Selden, 101 U.S. 99, 105 (1879); Storage Technology Corp. v. Custom Hardware Engineering & Consulting, Inc., 2005 U.S. App. LEXIS 18131, at *23 (Fed. Cir. August 24, 2005) (“The use of the code may violate the license agreement, but it is not forbidden by copyright law and cannot give rise to an action for copyright infringement.”).
Thus, the AIA standard contract may be interpreted as requiring the owner to pay “appropriate compensation” to the architect for doing something that would not, in itself, be an infringement of the architect’s copyright. *Sparaco v. Lawler, Matusky, Skelly Engineers LLP*, 60 F. Supp.2d at 257 (“Defendants did not have to grant plaintiff these rights as a matter of contract, but they did. They are bound by their bargain.”). In the *Sparaco* case, a similar contractual provision that prohibited the owner or any other party from using any of the plaintiff’s drawings “for additions to this project or for the completion of this project by others” was held to be breached when the owner hired a different architect to design a different building, and portions of the plaintiff’s site plan was copied and altered for use in the construction of the building. *Id.* The court said, “Plaintiff’s intention to prevent defendants from copying or making alterations to his surveyor’s drawings without his permission, and without payment to him of additional compensation, is quite clear.” *Id.* The court said that the contract bound the owner not to “hire another surveyor and then permit him to modify plaintiff’s pre-existing work for use on a revised project.” *Id.*

An owner’s contractual promise not to “use” architectural drawings for an “addition” to the project that is the subject of a standard AIA contract raises an issue of whether such a contractual promise would be binding on another architect who was not a party to the contract. If the new architect obtained the original architectural drawings from a source other than the owner, the new architect would not necessarily be bound by the owner’s contractual promise not to “use” the drawings. *See Guillot-Vogt Assoc. v. Holly & Smith*, 848 F. Supp. 682, 687 (E.D. La. 1994) (subcontractor of architect not bound by terms of contract between the architect and the State of Louisiana concerning the ownership of engineering drawings produced by subcontractor).

The AIA standard contract provides a license to “use” the architectural drawings and plans with respect to the project that is the subject of the agreement, and the owner is permitted to retain copies “for information and reference in connection with the Owner’s use and occupancy of the Project.” The AIA standard contract does not grant an express license to make copies of the drawings, or to prepare derivative works. However, the AIA standard contract language concerning further use of architectural drawings has been interpreted as a copyright license. *Womack+Hampton Architects, L.L.C. v. Metric Holdings Limited Partnership*, 102 Fed. Appx. 374, 378 (5th Cir. 2004), *cert. denied*, 125 S. Ct. 883 (2005). Moreover, if the copyright license is in effect, the owner may only be liable for a breach of contract if the terms of this standard AIA provision are breached. *See Womack+Hampton Architects, L.L.C. v. Metric Holdings Limited Partnership*, 102 Fed. Appx. 374 (5th Cir. 2004), *cert. denied*, 125 S. Ct. 883 (2005); *United States Naval Inst. v. Charter Communications, Inc.*, 936 F.2d 692, 695 (2nd Cir. 1991) (“A licensee of any of the rights comprised in the copyright, though it is capable of breaching the contractual obligations imposed on it by the license, cannot be liable for infringing the copyright rights conveyed to it.”).

“A. The Drawings, Specifications, and other documents prepared by the Architect for this project are the instruments of the Architect’s service for use solely with respect to this project and the Architect shall be deemed the author of these documents and shall retain all common law, statutory, and other reserved right [sic], including copyright.”

“* * * * *”

“B. The Owner agrees not to use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of [sic] $150.00 per unit (base architectural fee), plus engineering services, plus contingent hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.”

102 Fed. Appx. at 377. In the Womack case, the court held that the above-quoted language provided a license under the architect’s copyright. The Womack court found that the agreement’s reference to copyright was indicative of a copyright license. The most significant aspect of the decision in the Womack case was the court’s holding that the copyright license was not subject to any condition of payment of “proper compensation to the Architect.” The architect’s only remedy was for breach of contract for the use of the drawings, not copyright infringement. The license would provide a complete defense to any claim for copyright infringement. Womack+Hampton Architects, L.L.C. v. Metric Holdings Limited Partnership, 102 Fed. Appx. at 378-81 (affirmed summary judgment of no copyright infringement because the contract provided a copyright license).

The Womack court specifically held that the payment of compensation to the architect was not a condition precedent to the owner’s rights under the copyright license. 102 Fed. Appx. at 381-82. Other courts analyzing copyright licenses have refused to interpret payment as a condition precedent. Effects Assoc., Inc. v. Cohen, 908 F.2d 555, 559 n.7 (9th Cir. 1990) (“nor can we construe payment in full as a condition precedent to implying a license.”); I.A.E., Inc. v. Shaver, 74 F.3d 768, 778 (7th Cir. 1996); Irwin v. American Interactive Media, Inc., 1994 W.L. 394979, at *4 (C.D. Cal. April 14, 1994). The law in most states generally disfavors interpreting a contract provision as a condition precedent. A forfeiture will be avoided by not interpreting the contract to impose a condition precedent when another reasonable reading of the contract is possible. Womack, 102 Fed. Appx. at 381, citing Criswell v. European Crossroads Shopping Center, Ltd., 792 S.W.2d 945, 948 (Tex. 1990). If an architect wants payment to be a condition precedent to the copyright license, the architect must use language that unambiguously indicates such intent, for example, “on condition that,” “provided that,” or “if.”

__2__ A paper published on the American Institute of Architects’ web site acknowledges with respect to similar language in the current contract forms, that “[u]nder the A141 and B143 contract forms [2004 edition], the owner holds a nonexclusive license to reproduce the documents in connection with the project...”. G. William Quatman, The AIA’s New (and Improved) Design-Build Contracts, American Institute of Architects, 2005, available at www.aia.org.

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State law governs when an implied license is created. *Foad Consulting Group Inc. v. Musil Govan Azzalino*, 270 F.3d 821 (9th Cir. 2001). As a general principle, an implied license is granted when “(1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor copy and distribute his work.” *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 776 (7th Cir. 1996); *Effects Assoc., Inc. v. Cohen*, 908 F.2d 555, 558-59 (9th Cir. 1990). The last prong of this test, however, is not limited to copying and distribution; instead courts look at the protected right at issue — whether the copyright owner (the draftsman who created the architectural drawings) intended that the owner use, retain, and modify the copyrighted drawings and/or use the copyrighted drawings to construct a building. See *Asset Marketing Systems Inc. v. Gagnon*, 542 F.3d 748 (9th Cir. 2008); *Foad Consulting Group Inc. v. Musil Govan Azzalino*, 270 F.3d 821 (9th Cir. 2001).

In the case of *Foad Consulting Group Inc. v. Musil Govan Azzalino*, 270 F.3d 821 (9th Cir. 2001), an engineering firm was hired to create a development plan for a shopping center project that the owner intended to build. In that case, the court held that “the contract grants [the owner] an implied license to use the revised plot plan to complete development of the project, to hire another firm to create derivative works using the revised plot plan for the purpose of completing the project, and to publish the resulting work.” In that case, the court said:

“If accepted, [the architect’s] claim that although it was hired to create documents for the project, [the owner] had no right to use the documents to build the project, would allow architectural or engineering firms to hold entire projects hostage, forcing the owner either to pay the firm off, continue to employ it, or forego the value of all work completed so far and start from scratch. If the client did not want to pay the firm’s ransom demand, the client might be willing to incur the costs of starting from scratch. Going back to the drawing board, however, may not be an option where necessary government approvals have already been obtained and the approving authority is unwilling to reconsider the issue, as happened here. Alternatively, the firm’s ransom demand might be unreasonable. One would expect project owners to think long and hard before placing their fortunes so entirely in the hands of a single firm. And one would expect that a firm that intended to exercise such ongoing control over a project would clearly specify this in a contract.”

*Foad Consulting Group Inc. v. Musil Govan Azzalino*, 270 F.3d 821 (9th Cir. 2001).

2. **Damages For Breach Of Contract**

The appropriate measure for contract damages is the amount of damages sufficient to place the plaintiff in the position he would have been in if the contract had not been breached. *E.g., Colorado Environments, Inc. v. Valley Grading Corp.*, 105 Nev. 464, 779 P.2d 80, 84 (1989) (“It is fundamental that contract damages are prospective in nature and are intended to place the nonbreaching party in as good a position as if the contract had been performed.”).
The amount of damages will be reduced by “any cost or other loss that [the architect] has avoided by not having to perform.” *Colorado Environments, Inc. v. Valley Grading Corp.*, 105 Nev. 464, 779 P.2d 80, 84 (1989), *quoting* Restatement (Second) of Contracts § 347 (1979).