

Have you got a plan?

CHARLOTTE HENLEY, PARTNER, AND RUVINI RENDLE, ASSOCIATE, KENSINGTON SWAN



When a giant in the construction industry, like Ebert, fails it affects a large part of the sector and leaves much to deal with and be concerned about.

Will subcontractors be paid? Who will complete the unfinished construction project? But also of potential importance is who owns the plans and designs for any partially completed construction project and can new developers or contractors freely use them?

Behind all building and civil works will be an idea or concept. This will likely be followed by sketches, technical drawings and design plans. While it is not possible to claim copyright in an idea, the expression of the ideas or concepts (in the form of drawings and diagrams for example) is protected by copyright – provided the work is original. So using someone else's engineering or architectural plans without authorisation may land you in Court and expose you to liability.

So who owns the plans?

Who owns copyright depends on the circumstances surrounding the creation of the copyright work. The basic position is the person who creates the plan is the copyright owner. If an employee creates the plan as part of their employment, their employer owns copyright in the plan. Where a person commissions someone to make a plan and pays (or agrees to pay) for it, then the commissioning party is the copyright owner.

But this position can be contracted out of. Most design firms

...the person who creates the plan is the copyright owner. If an employee creates the plan as part of their employment, their employer owns copyright in the plan. Where a person commissions someone to make a plan and pays (or agrees to pay) for it, then the commissioning party is the copyright owner.

will retain copyright in commissioned works and may only grant to a client a license to use work they create for their client. This retention of copyright ownership and licensing prevents the alteration or exploitation of designs (including use of plans for multiple projects) unless the designer has

specifically agreed to it.

So if a developer calls for tenders to design and construct a building or civil work – assuming there are no terms and conditions to the contrary – the parties submitting their designs to the developer will retain copyright in their designs.

It is also common for contract terms around intellectual property to be included in construction contracts, particularly if there is design work involved. For instance, you may have come across the standard intellectual property provisions in the common standard form contract NZS3916:2013 or seen amendments to other standard contracts which deal with intellectual property.

What happens when a company fails?

Let's say a developer has a licence to use plans for a building and is able to sub-license a construction company to build the project. The developer then goes into liquidation. Can a new developer and construction company use the plans to finish the project?

Probably not. Standard terms of a license would usually provide that the licence terminates on the insolvency of the licensee. So the safest course of action for the new developer would be to obtain a license to use the plans from the current copyright owner.

If the failed company is the owner of copyright in the plans, can a contractor still use them? This is a complicated scenario and will depend on whether the liquidator or receiver has been able to sell the copyright plans to a third party. If ownership of the copyright plans has been sold and the purchaser had notice of the licence to the developer, then the licence may continue with the new copyright owner. The outcome would be different if the purchaser has no knowledge of the licence.

Can you keep using the plans but just make them your own?

Let's suppose you are a contractor brought in to finish a project already underway and the copyright license holder or owner goes under, could you alter the plans so that it is no longer subject to copyright? In other words, how much can you change or adapt a plan before it infringes someone else's copyright?

Whether a plan infringes another is a question of fact and will depend on the plan and the circumstances surrounding the copying. For instance, if it can be established that the allegedly copied plan was received by the infringer (there exists a link between the infringing

party and the plans which have been allegedly infringed) and a substantial part of the design was copied, then this may be sufficient to establish infringement.

Whether the part copied is 'substantial' is not necessarily a quantitative consideration. Rather, it is an assessment of what constitutes the essence of the work and whether this has been copied. So technically even a small part copied can be considered substantial if it captures the essence of the design. The originality of the design being copied will also be taken into account – the greater the degree of originality the broader the scope of copyright in the work.

In addition to a potential infringement of copyright, changing existing plans could breach the 'moral rights' of the original creator of the design. Under the Copyright Act, creators of original works have the right to object to the derogatory treatment of their work. It could be argued that particular alterations to a design amount to derogatory treatment of an original copyright work.

To the extent that a designer is 'inspired' by another person's design, she or he is at liberty to use the ideas or concepts. However, caution needs to be exercised if you have access to someone else's plan or drawings and are planning to change or adapt it.

Exceptions in the Copyright Act

The Copyright Act lists a number of permitted acts which do not infringe copyright. These include making a 2-dimensional

copy (drawing or photograph), or filming, a building that is permanently situated in a publicly accessible location. (For the purposes of the Copyright Act, a building includes any fixed structure such as a bridge.) This exception does not apply to three-dimensional copies. So re-creating a building may infringe copyright in the underlying plan or design of the original building. An exception is made for the re-construction of a building, but it is limited to re-constructing the building in the place it was originally situated. So an insurance re-build at the original location would not infringe the original copyright in the plans. But applying that design to a different location would.

Closing remarks

Copyright ownership and the right to use designs or plans can be complicated. Close attention needs to be paid to the terms of any agreements that determine who owns copyright in the plans and who has the right to use them. When it comes to resuming a project interrupted by a company failure, it is worth pausing to consider whether the new developers or contractors have the right to use the original plans.

• Kensington Swan offers 15 minutes of free advice on construction issues to CCNZ members.

Kensington Swan regularly provides comment on topical construction issues, visit www.nzconstructionblog.com to keep up to date. 📌

CONNEXIS



INFRASTRUCTURE JOBS

LIST FOR FREE

To find out more call 0800 486 626


INFRASTRUCTURE
WORKFORCE
www.ijobsite.org.nz