CIRCU lawR

A regular publication for legal news and reviews

"But the Plans Came With It": Cautionary Tales of Architectural Copyright Infringement

Developers looking to rework second-hand design plans should mind how non-payment affects use of copyrighted material.

It happens all the time: one developer runs into financial difficulties with its project and another one swoops in, purchases the land and the plans, and completes it. Of course, when we say the second developer has 'purchased the plans', we really mean that they have purchased a licence to use those plans. In most cases, developers will not own the plans outright and will merely assign their rights and obligations under a design consultancy agreement to the purchaser. Sometimes, however, a purchaser takes possession of design plans without an assignment and looks to carry on using them without the design architect's involvement. Before using plans in that way, purchasers should consider the copyright issues that could arise. This article introduces the basics of architectural copyright and provides a couple of illustrations of the trouble developers can get into using second-hand plans without the proper consents in place or consideration paid. The cases discussed demonstrate how important it is to make sure that you know precisely what rights you are acquiring with respect to any pre-existing plans and whether you are acquiring rights at all.

Introduction to Copyright

The basic elements of Canadian copyright law are relatively straightforward: the *Copyright Act* makes the creator of a work – including drawings, plans, and "architectural works" – "the first owner of the copyright therein".[1] Functionally, where a person exercises more than trivial skill and judgment to create an original expression of an idea,[2] that person obtains "the sole right to produce or reproduce the work or any substantial part thereof… to sell or otherwise transfer ownership… and to authorize any such acts".[3] Another person infringes that copyright by doing, without the owner's consent, anything that only the owner has a right to do under the *Copyright Act*,[4] including producing or reproducing that work. A copyright holder may assign (sell) or license (authorize exercise of) their rights to produce and reproduce their work generally or subject to limitations, such as length of term or medium of reproduction.[5] While assignment actually changes the ownership and may permit subsequent assignment or licensing by the assignee, licensing only transfers a right of use. In general, an architect will license their designs rather than assign them.[6]

Importantly – with some exceptions – where a person creates an original work in the course of their employment, the employer becomes the owner of the copyright in the work, unless the parties have agreed otherwise.[7] Things are a little simpler, then, for a developer with in-house designers, because the developer will own the works their designers produce by default; none of the cases that follow treat issues of copyright in an employment context. Nonetheless, it is useful to know that rights to these works are negotiable. Ownership of copyright can certainly be at the heart of a dispute over whether someone is an employee or an independent contractor, but that is an employment law matter outside of the scope of this article.

(Continued on page 2)

Architectural Copyright Woes

In *Katz v. Cytrynbaum*,[8] the plaintiff architect was engaged to prepare sketch plans and obtain a development permit for an apartment building at a cost of $35,000. Katz had yet to be paid when a new developer took over the project. To help the project along, Katz agreed to pass his drawings to another architectural firm, which produced working drawings from his sketches. When Katz followed up about his outstanding bill following issuance of the development permit, the new developer asserted that it would not pay. Katz then commenced a claim for copyright infringement, failing at trial but succeeding on appeal.

Justice Hutcheon, for the Court of Appeal, held that, while Katz had implicitly consented to the use of his design by the firm and the new developer, he had subsequently withdrawn his consent when he delivered two letters requesting the firm to not make use of his plans because he had not been paid. The law of copyright recognizes that a copyright owner may revoke their grant of a licence if they have not received valuable consideration in return, which was the case here.[9] The developer's continued use of the plans to see the project through to completion was therefore an infringement of Katz's copyright, for which it was liable in damages.

Sometimes, it can be the case that a developer fails to acquire rights to plans in the first place. In *Ankenman Associates Architects Inc. v. 0981478 B.C. Ltd.*,[10] an architectural firm ("AAAI") prepared plans and drawings for a developer ("MWDL"), which paid some, but not all, of AAAI's fees. The parties negotiated further work, but MWDL never paid for the further work and it subsequently went bankrupt. A second developer ("Newmark") then purchased MWDL's lands on foreclosure, as well as – so it thought – MWDL's right to use the plans. AAAI notified Newmark of its outstanding account, which Newmark refused to pay. Newmark passed the plans to a new architect, who used them to secure building permits and construct the project. AAAI sued for copyright infringement.

Justice Burke hedged, to some extent, on whether AAAI had actually received consideration for its work. She held that, if the further work was performed under a separate contract, then AAAI had not received consideration at all; as in *Katz*, AAAI had an automatic right to revoke the licence it gave MWDL to use its plans. Since MWDL had failed to pay, it lost its licence. As such, Newmark could not acquire a licence that MWDL did not have.[11]

In the alternative, Justice Burke held that, if AAAI had received partial payment under a single contract, then it was an implied term that AAAI could revoke the licence where it had not been paid in full. By providing further work, AAAI granted a licence that was conditional on its receiving payment in full. The condition not being met, the licence was implicitly revoked and could not be purchased by Newmark, even if Newmark lawfully purchased the plans themselves. In fact, AAAI had explicitly revoked its consent (if it was not already implicitly revoked). Like Katz had done, AAAI sent Newmark a letter indicating that if the latter wished to use the designs, it would have to provide fair compensation. Justice Burke swiftly dismissed any suggestion that Newmark should have escaped liability as an innocent purchaser at foreclosure. The drawings it bought bore a copyright stamp that would have alerted a reasonably diligent buyer to investigate whether it had any right to use them, and Newmark did not act diligently. Justice Burke fixed damages at $52,527.07.

Takeaway

The moral of the story is that if you want to use a design for which a previous developer has an outstanding obligation, *someone* has to pay for the design, whether that someone is you or the previous developer. In general, if you intend to keep working with that designer, you will seek an assignment of the rights and obligations of the previous developer's contract with the designer's consent. Keep in mind that, even if you physically acquire plans for a project, you cannot just pass them on to another designer to take over. Your failure or the previous developer's failure to provide consideration for the work can justify the designer's revocation of the licence and damages if you forge on in spite of it.

August, 2024

Aidan Andrews

(Continued on page 3)

1 RSC 1985, c. C-42, s. 13(1)

2 See *CCH Canadian Ltd. v. Law Society of Upper Canada,* 2004 SCC 13, at para. 16

3 *Supra* note 1, s. 3(1)

4 *Ibid.,* s. 27(1)

5 *Ibid.,* s. 13(4); e.g., licensing reproduction of a design for five years only on t-shirts and backpacks

6 Note, for instance, that General Condition 5.2.3 of the standard CCDC Service Contract Between Owner and Consultant (CCDC 31) reserves copyright over Instruments of Service to the Consultant, granting the Owner only non-exclusive licence to use the Instruments of Service for the particular Project

7 *Ibid.,* s. 13(3)

8 1983 CanLII 557 (BCCA), rev'ing 1981 Carswell 1668 (BCSC)

9 Indeed, General Condition 5.2.3 of CCDC 31 makes the Owner's licence to use the Instruments of Service contingent on payment of the Consultant's fees and Reimbursable Expenses. General Condition 5.2.8 entitles the Consultant to injunctive relief to prevent the Owner from using the Instruments of Service where the Consultant is not being paid

10 2017 BCSC 333.

11 The Latin maxim *nemo dat quod non habet* ("no one [can] give[] what they do not have") sets out that a party cannot transfer rights in property beyond the rights they actually hold. For instance, a leaseholder of real property cannot transfer the property's ownership.

AIDAN ANDREWS
604.358.0252
AIDAN@CIVICLEGAL.CA

Aidan is an associate lawyer with the firm and maintains a general municipal law practice, with particular interest in land use planning, judicial review, and freedom of information and privacy matters. Aidan has provided advice to local governments about zoning compliance, use of park land, and the scope of easements. As well, he has drafted leases and Section 219 covenants, advised on conflict of interest and code of conduct issues, and assisted with submissions to the Office of the Information and Privacy Commissioner for British Columbia. Aidan has assisted with the preparation of pleadings in bylaw enforcement matters and written submissions to the Court of Appeal for British Columbia.

Aidan obtained his Juris Doctor from the University of Victoria and was called to the Bar of British Columbia in 2024, after articling with a municipal law boutique in Vancouver.

Our lawyers combine legal experience in local government, commercial real estate development, and construction law to provide legal services to local governments, owners, builders and developers on a range of projects, from concept to completion, and beyond.

710 - 900 West Hastings Street, Vancouver, BC V6C 1E5
604.639.3639 | **www.civiclegal.ca** | CivicLegal