

Insights

BIM-USED COPYRIGHT: DEALING WITH EMERGING TECHNOLOGIES IN CONSTRUCTION

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SUMMARY

We have explored various topics as part of our intellectual property in construction series. To continue our discussion, we delve into some further thoughts on other common queries that we receive.

In this article we will look at:

- Should a copyright licence be subject to the payment of fees?
- What happens to a copyright licence on termination of the contract?
- The impact of BIM on copyright licensing strategy.

Should a copyright licence be subject to the payment of fees?

In addition to the inherent tension as to who owns the copyright material, which we [discussed in our first blog](#), there is sometimes a question as to whether payment should be made before a copyright licence is granted.

If you are a designer and you are regularly required to grant copyright licences to clients (and potentially other interested third parties) in relation to your designs, you will of course wish to ensure that you are paid for such designs and related services. Including a provision demanding upfront payment (normally linked to a right to withdraw or suspend the licence if fees are not paid) is one way of ensuring this. So it is unsurprising that several forms which represent designers include such provisions (for example, see clauses 6.3 and 6.7 of the **RIBA Standard Professional Services Contract 2020**). Interestingly, **JCT Design and Build Contract (2016 Edition)** also makes provision for this, as the employer's copyright licence is "subject to all sums due and payable under this Contract to the Contractor having been paid". However, this requirement is not reflected in other leading industry standard forms, such as the **NEC4 Engineering and Construction Contract**.

Obviously the inclusion of such a provision will always depend on the particular project and the bargaining position of the respective parties but in the UK, it is rare for a client to agree to such a provision. In addition, in the absence of express inclusion, it is unlikely that, should a dispute arise, the court would imply such a term.

Why do employer clients object so strongly to including such a provision? Primarily because making the licence subject to the payment of fees opens the door to the potential of a fee dispute leading to a delay to the project because the copyright licence to use the designs has been withdrawn. This could have major time and cost implications for the project. There is also the danger that if the client's copyright licence is withdrawn then its power to grant sub-licences also falls away, meaning that it may be in breach of its agreements with its sub-licensees.

So why do designers agree to not include such a provision? Primarily because very few clients will agree to it but also because, in the UK, designers have other effective means of ensuring payment for their services. For example:

- The **Construction Act 1996** provides that payment must be made in instalments (so the designer is not held to ransom awaiting the entire payment at the end of the contract). While parties are free to agree the division of their instalments, standard practice is to link the instalments to delivery of certain designs or particular development milestones. This ensures that value is realised for interim designs or deliverables that have been provided, which also assists designers in meeting any third party costs and expenses.
- The Construction Act 1996 also gives the designer the right to suspend its services if payment is not made.
- If the employer fails to pay on time, the designer can resort to adjudication, a quick and effective means of recouping payment.
- Ultimately, a continuing failure to pay is likely to count as a continuing material breach of the client's contractual obligations. Such a breach will usually give right to both a contractual and common law right to terminate (subject of course to the **Corporate Insolvency and Governance Act 2020** in the case of client (customer insolvency)).

What happens to a copyright licence on termination of the contract?

We mentioned in our [first blog](#) that the contract should provide that the copyright licence will continue notwithstanding the expiry or termination (for any reason) of the contractor/consultant's engagement under the contract. This is important to allow the client to continue to use the material produced not only for the future maintenance, promotion, refurbishment or repair of the property, but also if there is a change of contractor/consultant during the course of the project to ensure a smooth transition and assist with project continuity.

To achieve this, is it enough for the licence to be stated to be “irrevocable” **or** “perpetual”? If the licence is stated only to be irrevocable, this will probably be sufficient to enable the client to continue to use the licensed material, albeit for the term of the licence grant, even after the expiry or termination of the engagement. On the other hand, sole use of the word “perpetual” does not give comfort that a copyright licence will continue for the full term of copyright protection, notwithstanding termination or expiry of the agreement containing the licence (or of a related agreement).

Under common law, the contractual term “perpetual” is capable of bearing different meanings depending on the factual context. A perpetual licence, in these circumstances could mean either:

- A never-ending licence (or licence for the full term of copyright protection); **or**
- A licence that operates without limit of time (that is, an indefinite term, or until copyright protection has expired) but is capable of being terminated, subject to the termination provisions of both the licence and any related agreements (see **BMS Computer Solutions Ltd v AB Agri Ltd**).

It is therefore preferable to ensure that the licence is granted on both a perpetual **and** irrevocable basis.

To put the matter beyond doubt, including an express statement that the licence subsists notwithstanding the expiry or termination of the contract is recommended. If there is no formal written contract, the courts are likely to be slower to conclude that a copyright owner had intended a grant of rights to be irrevocable (absent a compelling factual matrix evidencing the parties’ intentions).

The impact of BIM on copyright licensing strategy

As the use of technology in the construction design context continues to rapidly advance, parties will need to ensure that ownership of and rights to use intellectual property (in particular, copyright and design rights) in such technology is regulated, and correctly catered for in underlying contracts and licences. This is key in the context of **building information modelling** (BIM).

BIM surpasses traditional 2D drawings and designs to 3D (through to 6D!) models and information. In doing so, such models usually incorporate multiple design disciplines and can span inception of a building through to its construction, occupation and management. A “BIM Manager” is also usually appointed by the client to develop, manage and track the model against specific project performance objectives.

So who “owns” the BIM models and the intellectual property rights comprised within them?

As we explored in our [first blog](#), ownership of a copyright work usually vests in the person who creates it, unless:

- The creator is an employee, in which case the creator's employer will usually own the copyright work; or
- The rights in the copyright work are assigned by the creator, which is not usual in the UK construction market.

The owner of the copyright work will then grant clients and other interested third parties a licence to use and reproduce the work, typically for specified purposes. Similar rules of ownership apply in respect of UK design rights.

The same analysis applies for BIM. Unless agreed otherwise, each designer will own the intellectual property rights in its contribution to the model.

Where the model is one to which multiple designers are contributing and/or is made up of several different models being coordinated by the BIM Manager, then the position is less clear. The BIM Manager may argue that it has copyright ownership of at least some elements of the model, particularly if it is using software skills to produce the model. If this is not expressly dealt with under the BIM Manager's consultancy terms, then it may lead to a scenario where elements of the model, or the model as a whole, will be subject to joint ownership, which raises its own difficulties and is preferably avoided.

This has the potential to cause some very real difficulties for both contributors to the model and users of it, as in most instances, it is not possible to license the use of a co-owned work without the consent of all co-owners, subject to any agreement to the contrary between those owners.

Clients seeking to use BIM models should therefore be alive to the risks associated with the collaborative multi-party development of a model and the potential limits on use in circumstances where the necessary rights have not been made available by all contributing parties (and their relevant contractors and consultants).

Clients should be aware of this issue and ensure that:

The underlying contracts expressly provide for ownership of the final BIM model to vest in the client;

- The division of responsibility for design between the different consultants and contractors is clear; and
- An adequate copyright licence is obtained in relation to any work (such as the BIM model) that the BIM Manager, as well as the various contributing designers and manufacturers, are producing for the project. In addition to dealing with the resultant rights, clients should also carefully consider if they require an appropriate sub-licence in order to make the underlying works available to the BIM Manager.

Parties will also want to preserve the value of any confidential information exchanged that may underpin elements of the design expressed in the BIM. This should be dealt with separately in the context of the confidentiality obligations and provisions on non-disclosure included in any relevant agreement, but there is an obvious interplay with the intellectual property rights comprised in the BIM, including any rights to use commercially sensitive know-how.

It is worth highlighting that the **Information protocol to support BS EN ISO 19650-2 the delivery phase of assets** (Edition 1: May 2020) (published by the UK BIM Framework in association with the Construction Industry Council) is an example of a protocol that may be incorporated into construction contracts on projects where BIM is being used and which contains copyright provisions (see clause 8). However, parties that are incorporating the protocol into their contracts should ensure that these provisions do not cut across any other copyright provisions agreed between the parties and set out in the underlying contract. A consistent approach through each phase that caters for the use of emerging technologies such as BIM at the conclusion of a project will be key.

Final thoughts

As can be seen, the interaction of construction projects and intellectual property continues to provide a rich seam of knotty issues through which care must be taken to navigate lest the parties fall foul of the rules. In our next blog we will take a look at what arguably takes the complexity to new heights: the interaction of modular construction and intellectual property.

This [article](#) first appeared on the Practical Law Construction blog dated 1 December 2020.

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