

Risks Associated with Transferring Copyright

By Colleen M. Palmer, Esq.

Engineers are often contractually required to grant broad rights of their work product to their client. When presented with such a request, it is important to consider the risks associated transferring copyright, as compared to ownership, of work product. We recommend the engineer maintain sole ownership of its work product. Although maintaining ownership of the work product is not necessarily a deal breaker from a risk management and professional liability perspective, the engineer should insist on payment for services rendered prior to transferring ownership of its work product, limit the client's use of the work product to completion and use of the project, and insist on indemnity protection in the event of unauthorized use of the documents.

Generally speaking, the engineer as the author of its Instruments of Service owns the copyright, unless the engineer specifically transfers it by writing to another party. A critical exception to this rule of thumb is if a contract expressly states the engineer's work product is a "work for hire" which means that the entity for whom the work is prepared (i.e., the client) is considered the author and owns the copyright, unless there is a written agreement to the contrary.

From a risk management perspective, we recommend against transferring your copyright. Relinquishing your copyright grants extremely broad rights to the client and potentially subjects you to significant risks. When the engineer grants solely ownership rights to the client, the engineer can contractually limit the client's use of the Instruments of Service to the specific project for which they were prepared. Conversely, transferring copyright conveys much broader rights. Copyright transfer allows the client to reuse the Instruments of Service on other projects at its sole discretion, without having to pay the engineer for such reuse, and could subject the engineer to professional liability exposure on those future projects, even though the engineer was not involved.

The engineer also forfeits its right to re-use its work product if it transfers its copyright. In fact, the engineer could be subject to a copyright infringement claim by the client if it transferred copyright and then used its standard details on another project. When transferring copyright, the engineer should insist on payment for services rendered prior to the transfer and consider including a contract provision similar to the following:

"If the Client subsequently reproduces project-related documents or creates (or causes others to create) a derivative work based upon project-related documents created by the Engineer, the Client shall completely remove the original professional seals, logos and other indications on the documents of the identity of the Engineer. The Client agrees that any future use, reuse, or modification of the Engineer's work product without retaining and maintaining the retention of the Engineer shall be at the Client's sole risk and without liability to the Engineer and the Client agrees to waive any and all claims against the Engineer and release, defend, indemnify and hold the Engineer harmless from any and all claims or liabilities arising therefrom. Notwithstanding any other provision in this Agreement, the Engineer shall not be in violation of this Agreement if the Engineer utilizes any standard details that may be incorporated into the work product generated by the Engineer in connection with this Project. The Client understands that regardless of any transfer of ownership or copyright rights granted to the Client pursuant to the terms of this Agreement, the Engineer shall in no way be restricted or prohibited from future use of any such standard details."

Transferring copyright is a decision that should be carefully considered given the potential risks to the Engineer. If the Engineer decides to grant such broad rights to the client, it should ensure its contract includes appropriate protections.

The information set forth is intended as general risk management information and should not be construed or relied upon as legal advice. It is not intended as a substitute for consultation with counsel. There could be specific issues under the applicable law for which you may want to seek the assistance of a local attorney.