Newsletter

Quaystone

BURGES SALMON

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Welcome to the February edition of Quaystone. This month we focus on intellectual property issues in construction, and explain why these are wider than just the copyright in architect's drawings. We also look at a recent case in which the courts gave further guidance on which documents you may have to disclose to the other party if you get involved in a dispute.

Further information

For further details on the issues raised in this bulletin or generally on the services we offer please email **marcus.harling@burges-salmon.com**, **william.gard@burges-salmon.com** or **steven.james@burges-salmon.com** or your usual Construction and Engineering Group contact.

Intellectual Property in construction projects: why is it important?

Copyright

Most people involved in a construction or engineering project, including developers, contractors, consultants and so on, will know about the importance of copyright material. By this we mean drawings, plans, written documents, photos and even the finished building or project itself.

Copyright material will be used at each and every stage of a project: construction, operation, repair and demolition may all require, for example, the architect's plans. In addition, a variety of parties may need to use the material.

The bottom line is that using copyright material without the copyright owner's permission is a breach of copyright law. This is the reason for construction contracts, appointments and warranties containing copyright provisions or licences which grant certain rights in relation to the use of copyright material.

But are there other forms of "intellectual property" (of which copyright is but one type) which are relevant to construction and engineering projects? Perhaps it won't be at the top of the agenda when a new construction project is being conceived, designed or built, but branding and other intellectual property issues can be very important and, potentially, provide sources of revenue.

Gherkins and Cheesegraters

The average person may look at you blankly if you mention 96 Tooley Street or 30 St Mary Axe. However, say The Shard or The Gherkin and they'll know exactly where you mean. While The Gherkin, at least, started out as an informal nickname, both titles are now unquestionably the primary way of identifying the buildings and have become firmly established in the public consciousness. Other major developments such as the Cheesegrater (the Leadenhall Building) and the Walkie-Talkie (20 Fenchurch Street) are also likely to become widely known by their catchier titles.

"The Shard" and "The Gherkin" are now both registered trade marks. Registration of a trade mark allows the owner to prevent the use of identical or confusingly similar marks and also creates a proprietary asset that can generate an income stream, through licensing to third parties for merchandising or other opportunities (such as The View from The Shard, Aquashard restaurant or Weddings at The Gherkin).

As well as distinctive names, trade mark protection may be available for pictorial representations, or even silhouettes, of a building.

Protection is not however unlimited for buildings or projects: for example, in the case of tourist attractions, protection in respect of mementos (key-rings, t-shirts, postcards etc) may not be available, due to the legal principle that traders in the vicinity of such buildings should be free to produce memorabilia.

How does BIM change things?

The advent of BIM means that protection of copyright and other IP rights should be considered afresh: although BIM (level 2) in itself does not really change anything in respect of IP rights or law, the creation and use of BIM will require the use of copyright material. Therefore, copyright licences in the project documentation should now allow for copyright material to be used in BIM.

If and when BIM level 3 starts to be used, this may however signal a need to look far more closely at copyright and other IP provisions. BIM level 3 envisages a wholly integrated model which can be accessed and, presumably, "used" by all members of the project team. This has the potential to throw up concerns such as ownership of copyright in the integrated model as a whole and its component parts.

This is likely to engage the minds of any sub-contractors providing specialist equipment who tend to carefully guard the intellectual property in their proprietary designs. The answer may be to have two sets of documents: one that contains enough information to enable the interfaces between the works packages to be effectively engineered and a second set of confidential documents (such as detailed workshop drawings) that the sub-contractor is not obliged to release and which do not get incorporated into the BIM model.

Litigation privilege

We have written about legal privilege before and while it sounds like something which could only interest a lawyer, the consequences for clients of not understanding the scope and effect of legal privilege can be quite severe. In a recent case (*Starbev v Interbrew*), the Commercial Court provided a useful summary of the issues to be considered regarding a claim to litigation privilege, in the context of a case about consideration resulting from the sale of a business.

In a nutshell, privilege entitles a party to withhold certain types of evidence from another party or from the court. "Litigation privilege" is based on the premise that a litigating party should be able to obtain advice without having to disclose it to the other side. However, there are certain rules for litigation privilege to apply. The document must be confidential and be a communication between either the lawyer or the client and a third party, or be a document created by or for the client or its lawyer. And crucially, the "dominant purpose" of the document in question must have been the litigation, which at the time of its production, must have been pending, reasonably contemplated or existing.

In the Starbev case, the defendant sought to withhold two categories of documents on the basis that the documents were protected from disclosure by litigation privilege. The documents concerned advice to it from Barclays about the structure of the consideration for the business sale and work done for it by KPMG about an agreement concerning deferred consideration.

Having reviewed the evidence, the court concluded that the claim for litigation privilege had not been made out and the documents could therefore be disclosed. The court found that the defendant had failed to prove that litigation had been, at the time of production of the documents, either pending or reasonably contemplated. It was not enough to say that litigation was, at the time, a "mere possibility". Consequently, they also failed to prove that the relevant documents must have been created for the dominant purpose of litigation.

In this case, neither Barclays' nor KPMG's engagement or retainer letters referred to any litigation, ongoing or otherwise. If there is any doubt as to whether litigation is pending or reasonably contemplated, and whether a document has been produced for this dominant purpose, it may be best to get lawyers on board and have them as author of written reports. If lawyers are involved, legal advice privilege may be claimed and that can apply whether or not litigation is pending or contemplated. The same does not apply to other professionals such as bankers, tax advisors or accountants.

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