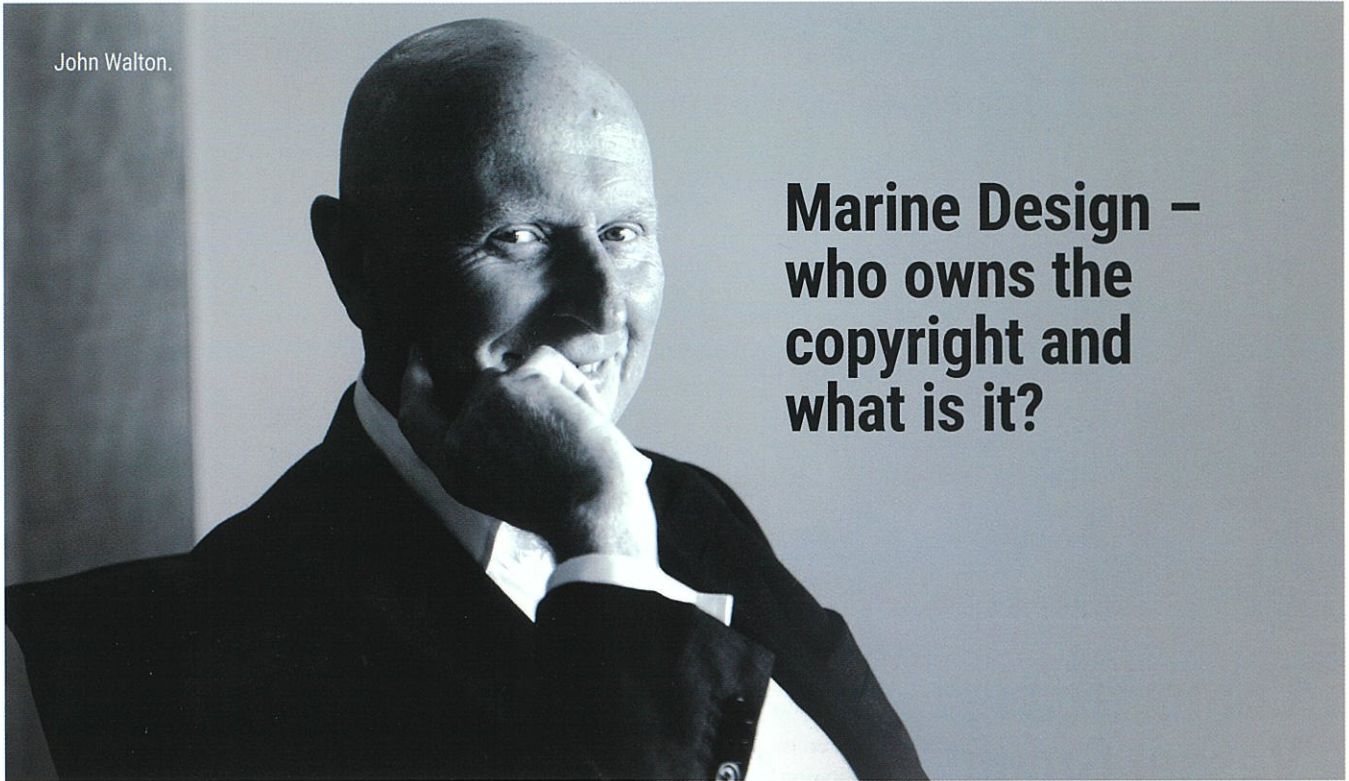


Marine design copyright



Marine Design – who owns the copyright and what is it?

The problem with contracts is that often, perhaps like this article, there are just too many words covering esoteric points that will probably never arise anyway.

AT THE START of a busy day at the boat builder's yard, when the email comes in from the naval architect's office confirming the instruction to design the latest in a line of production boats, the yard manager checks the pricing and outline specs for the yard's new baby, and confirms the instruction with some satisfaction. This new boat is going to hit a market spot.

The manager notices that there are Standard Conditions attached, published by the Royal Institution of Naval Architects (RINA), and sees that they have not been amended, and is comfortable that the yard is protected. The RINA conditions reflect industry standard, right? What the manager overlooks, however, is that the outline specification is based on a previous design developed by the yard in-house, and it is to be further refined in discussion with his new best friend, the naval architect. He is expecting to pay for the design development for the new boat, and to own that design, rather than pay royalties. In future, he intends to expand the range of boats on offer, all based on the revised

design, amended in-house.

The manager is shocked some time later to receive a lawyer's *cease and desist* letter in relation to the expanded range, and a demand for royalties on all boats produced to date on the original design.

Where an agreement is made on a handshake, the law will imply what are considered to be reasonable terms.

If we look at the RINA standard conditions (remember them?), the manager is discouraged to read in Clause 7 that all intellectual property rights, including copyright, in the designs is *the absolute property* of the marine architect, and that the contract does not enable the yard to produce further boats based on the design. While the design services have been paid for, a royalty of 1.5% of the sale price for each boat is also due.

The yard is threatened with arbitration.

Sadly, this is not an uncommon occurrence, and it is easily rectified by reading the contract and making sure that it reflects both parties' understanding of what has been agreed.

Where an agreement is made on a handshake, the law will imply what are considered to be reasonable terms. The law of copyright (attaching to design documents, whether in physical or electronic form) is currently under review, but the broad principles are unlikely to change much. The starting point is that where a designer produces an original work, then all intellectual property rights (including copyright) are retained by that designer. At best, a person purchasing that design gets a bare licence to use that design only for the purpose for which it was prepared.

There are important exceptions to this, for example where the designer is employed in a yard to prepare such designs, then the copyright belongs to the yard. Similarly, where a yard "commissions" a design, then the yard is



Young Professionals in Yachting

NZ Marine's newest group, Young Professionals Yachting chaired by Chris Gibbs and managed by Stacey Cook, is a dedicated, enthusiastic, and ethical networking group for young professionals. The group is part of a wider international network designed to share knowledge and nurture long-lasting relationships to achieve success and global recognition within the marine industry.

YPY NZ MEMBERSHIP is open to enthusiastic young professionals under the age of 40 keen to take advantage of professional seminars, networking events and enjoy the support of an organisation designed to help them achieve the greatest heights possible in their careers. New Zealand members are invited to participate in international YPY events as part of the global YPY family, where they will create relationships that not only further their own careers but enhance the prospects of their companies and the wider New Zealand industry.

The most recent event was an informal Q and A session with Craig Garner, chief executive of Business Mentors New Zealand, who gave group members the chance to question him on topics from career progression, to recovering from failure, to how to tackle their first time as employer rather than employee, and other career topics. Garner went on to detail his own work experience and the variation, enjoyment, and challenges he's encountered.

Most seminars are followed by a relaxed gathering which allows group members to discuss challenges and success they're experiencing in



Craig Garner.

their work lives so that other members can make suggestions, lend a sympathetic ear, or just relate their own experiences.

The New Zealand chapter of Young Professionals in Yachting is growing quickly, with 26 members currently, from boat builders to equipment suppliers, designers, PR, marketing and logistics experts. Members are either self-employed or work for companies and both groups are seeing good skill development from the sessions.

the owner of the copyright in the design (see section 40 of the Copyright Act 1994).

However, these provisions are subject to contract. For the marine architect and the yard, these issues are best dealt with explicitly in the letter of instruction, rather than left to the law to apply.

If the RINA terms are to apply, then expect the copyright in the designs to remain with the naval architect, and for the terms of use to be outlined in the letter of instruction, including royalty payments. However, if the yard is expecting to commission a design which it intends to use, modify and further develop, then the terms of the appointment need to be modified as well. For example, where a yard has an existing, in-house design, which it wishes to improve, it would be sensible to engage a qualified naval architect to review and modify those designs to something which the yard could then further develop itself in future to meet market demand.

That is an entirely reasonable thing to do, but the naval architect's engagement must record that the design *commission* is on that basis and that the yard has ownership of the completed designs, including copyright in the developed CAD files and PDFs, and the ability to further develop those designs for further boats. The naval architect could not then sell those designs to another yard. If that was the agreed position, then the contract needs to record that.

These are the issues which keep lawyers entertained and keep others awake at night. The simple solution is to record what has been agreed, in writing.

John Walton is a barrister at Bankside Chambers, specialising in technology, engineering and construction. He is an arbitrator, construction adjudicator and commercial mediator, with a particular interest in marine construction.

The goal of the group is to up-skill and network with the young professionals in the New Zealand marine industry, so if you are interested, or you would like your employees to join, please contact stacey@nzmarine.com