

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF INDIANA
FORT WAYNE DIVISION**

DESIGN BASICS, LLC, and,)	
W.L. MARTIN HOME DESIGNS, LLC,)	
)	
Plaintiffs,)	
)	
v.)	CAUSE NO.: 1:16-CV-175-TLS
)	
HELLER & SONS, INCORPORATED,)	
d/b/a/ Heller Homes, and HELLER)	
DEVELOPMENT CORPORATION)	
)	
Defendants.)	

OPINION AND ORDER

This matter comes before the Court on Plaintiffs Design Basics, LLC, and W.L. Martin Home Designs, LLC's (WLM), Motion for Partial Summary Judgment [ECF No. 45] and Defendants Heller & Sons, Inc., d/b/a. Heller Homes, and Heller Development Corp.'s Motion for Partial Summary Judgment [ECF No. 42], both filed on January 26, 2018. The parties both filed Responses on February 16, 2018, followed by Replies on March 2, 2018. This matter is now fully briefed and ripe for review.

FACTUAL BACKGROUND

Design Basics owns copyrighted home plans, including some registered by its affiliate WLM. In 2010, Design Basics filed suit in Colorado against ProBuild Company LLC, ProBuild North, LLC, and Lanoga Corporation (collectively "ProBuild"), alleging copyright infringement of Design Basics' home plans. ProBuild owns and operates a chain of lumber yards and building supply centers and was accused of selling Design Basics' copyrighted home plans to ProBuild's

customers without paying Design Basics' licensing fees. In 2011, Design Basics and ProBuild entered into a settlement agreement (PSA), which had several key provisions, including: (1) Design Basics agreed to release claims related to infringement of Design Basics' copyrighted home plans against any customer of ProBuild or ProBuild's predecessors; (2) Design Basics agreed to grant a retroactive license both to ProBuild and ProBuild's predecessors and to any of their customers regarding these plans; and (3) such license would not be applicable if, within 60 days following a written inquiry by Design Basics, ProBuild or the accused customer failed to submit sufficient evidence to show that ProBuild or one of its predecessors created a home plan for that customer that was copied or derived from one of Design Basics' home plans prior to the effective date of the PSA. Such written inquiry was subject to certain requirements, such as, Design Basics had to forward the notice to certain identified people, and the notice had to include certain information regarding the alleged infringement, including identifying a particular home plan, the alleged infringer, and contact information for the alleged infringer. The PSA became effective on September 12, 2011.

On April 4, 2016, Design Basics sent a letter to ProBuild, stating that Design Basics believed that some of Heller Homes' home plans infringed Design Basics' home plans. This letter was not sent to ProBuild's counsel, Timothy M. Reynolds, which was one of the procedural requirements for Design Basics' written inquiry under the PSA. ProBuild asserts that it did not receive the letter until April 8, 2016.

On June 3, 2016, ProBuild responded to Design Basics' inquiry and indicated that Wickes Lumber, a claimed predecessor of ProBuild, had designed three of the accused home plans prior to the effective date of the PSA. ProBuild attached drawings of the plans, affidavits by Mark Heller (principal of Heller Homes) and Dennis Hakes (salesman for Wickes and

ProBuild). On June 7, 2016, ProBuild served Design Basics' counsel with an amended Affidavit by Mark Heller, which indicated that the same three accused designs were acquired from Wickes prior to the year 2000. On July 7, 2016, Design Basics notified ProBuild that the evidence that ProBuild submitted regarding the origin of the accused plans was insufficient under the PSA. Accordingly, Design Basics refused to grant a retroactive license to Heller Homes or to release Heller Homes from any claims associated with the accused plans.

On July 12, 2016, ProBuild sent a letter to Design Basics arguing that the evidence ProBuild had submitted was sufficient under the PSA and requested proof as to whether WLM was controlled by Design Basics and therefore bound by the PSA. On August 10, 2016, ProBuild submitted further evidence in support of retroactive licensing and release to Heller Homes, and Mark Heller appeared for a deposition on August 16, 2017, regarding his affidavits pursuant to provisions of the PSA.

On May 22, 2016, Design Basics and WLM sued the Defendants, alleging that the Defendants had infringed Design Basics' copyrights in the following works:

Accused Heller Homes Design

Arthur Williams
David Matthew II
Greyson
David Matthew I
Spencer 5

Design Basics' Home Design

Plan 1032 (Monte Vista)
Plan 1380 (Paterson)
Plan 1748 (Sinclair)
Plan 1742 (Lancaster)
Plan 24077 (Baisden)

STANDARD OF REVIEW

Summary judgment is proper where the evidence of record shows that there is no genuine issue of material fact and that the moving party is entitled to judgment as a matter of law.

Celotex Corp. v. Catrett, 477 U.S. 317, 322–23 (1986). The moving party bears the initial burden

of informing the court of the basis for its motion and identifying those portions of the record it believes demonstrate the absence of a genuine issue of material fact. *Id.* at 323. The burden then shifts to the non-movant to “go beyond the pleadings” to cite evidence of a genuine factual dispute precluding summary judgment. *Id.* at 324. “[A] court has one task and one task only: to decide, based on the evidence of record, whether there is any material dispute of fact that requires a trial.” *Waldridge v. Am. Heochst Corp.*, 24 F.3d 918, 920 (7th Cir. 1994). If the non-movant does not come forward with evidence that would reasonably permit the finder of fact to find in its favor on a material issue, then the Court must enter summary judgment against it. *Id.*

ANALYSIS

As relevant to the instant Motions, the Parties dispute whether Wickes Lumber is a predecessor of ProBuild, whether Design Basics is collaterally estopped from asserting that Wickes Lumber is not a predecessor of ProBuild, whether ProBuild timely responded to Design Basics’ written inquiry regarding the Heller Homes plans, whether Design Basics’ written inquiry complied with the PSA, and whether the evidence submitted to Design Basics was sufficient under the PSA.

A. Whether Wickes is a Predecessor of ProBuild

The first question the Court must consider is whether Wickes is a predecessor of ProBuild. If Wickes is not a predecessor of ProBuild, then Heller Homes cannot be a third party beneficiary to the PSA and will enjoy none of the PSA’s protections.

1. Collateral Estoppel

The Defendants first argue that Design Basics is collaterally estopped from asserting that Wickes is not a predecessor of ProBuild based on a prior litigation in the Eastern District of Wisconsin. In that case, the court found that Wickes' customers were protected under the PSA based on the plain language of the PSA. *See Design Basics, LLC v. Midwest Design Homes, Inc.*, No. 14-C-1033, 2016 WL 8117702, at *2 (E.D. Wis. Sept. 30, 2016). Design Basics argues that the passage on which the Defendants rely is dicta in a partial summary judgment order, which was decided in favor of Design Basics. Therefore, Design Basics contends that the issue was not adjudicated in the manner contemplated by collateral estoppel.

Collateral estoppel precludes the re-litigation of an issue where (1) the pertinent issue was identical to an issue involved in a prior action; (2) the issue was actually litigated in the prior action; (3) determination of the issue was essential to the final judgment in the prior action; and (4) the party being precluded from re-litigating the issue was represented in the prior action. *See Chi. Truck Drivers v. Century Motor Freight, Inc.*, 125 F.3d 526, 530 (7th Cir. 1997). The Defendant argues that all of these requirements are met because (1) whether Wickes was a ProBuild predecessor was at issue in *Design Basics v. Midwest*; (2) the issue was actually litigated as shown by the partial summary judgment order; (3) determination that Wickes was a ProBuild predecessor was essential to the judgment, which for the purposes of collateral estoppel was a final order; and (4) as a party to the litigation, Design Basics was represented. The Parties do not appear to dispute the first and fourth requirements.

Design Basics responds that in *Design Basics v. Midwest*, it never argued that Wickes was not a predecessor of ProBuild and instead focused on whether the conditions of the PSA were satisfied. Further, Design Basics contends, the court denied Midwest's motion, and the

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