
The Value Group, Inc. v. Mendham Lake Estates 800 F. Supp. 1228 (D.N.J. 1992)

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Court has recently ruled in *Two Pesos, Inc. v. Taco Cabana, Inc.*, –U.S.–, 112 S.Ct. 2753 (1992), that trade dress which is inherently distinctive is protectible under the Lanham Act without establishing a secondary meaning. This ruling is consistent with trademark law which grants protection to an inherently distinctive trademark without establishing a secondary meaning. The Supreme Court ruling would not have altered the outcome of this case because the district court ruled that the trade dress at issue was not inherently distinctive. It made this ruling when it addressed Monarch's claim under the New York law of unfair competition which, unlike the Second Circuit, did not require secondary meaning to enforce trade dress. Monarch, 1992 WL 150641, at *8.

14. *Id.* at *7 (quoting *Coach Leatherware Co. v. AnnTaylor, Inc.*, 933 F.2d 162, 168 (2d Cir. 1991)).

15. *Id.* at *7.

16. *Id.*

17. *Id.*

18. *Id.*

19. *Id.* at *8.

20. *Id.*

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INTRODUCTION

Alleging copyright infringement, the Plaintiff, The Value Group, Inc. ("VGI") sought a temporary restraining order against the Defendant, Mendham Lake Estates ("Mendham Lake"), to enjoin them from building luxury homes using VGI's architectural designs. The United States District Court for the District of New Jersey granted the preliminary injunction, finding that VGI was likely to succeed on the merits of their infringement claim and would likely suffer irreparable injury if preliminary relief was denied. Additionally, the court concluded the public interest would be served by granting the preliminary relief.

FACTS

VGI is in the real estate business and specializes in building luxury homes. Mendham Lake is VGI's sole competitor in the geographical area. Between September, 1990 and January, 1991, VGI designed certain architectural plans for single family residences. In January, 1992, VGI began construction of the first home located in Randolph, New Jersey. VGI completed this house in May or June of 1992 and on June 17, 1992 obtained a copyright certificate for the architectural plans and the related sales brochures depicting those plans.

In early May, 1992, a Mendham Lake representative contacted VGI and requested a copy of the architectural plans to use for Mendham Lake's own construction project in Randolph, New Jersey. VGI denied their request and explained that, because Mendham Lake intended to construct a "look alike" home using VGI's plans, Mendham Lake's proposed

project in Randolph would compete with, and adversely impact on VGI's Randolph project. VGI followed this conversation with a letter reiterating VGI's ownership of the designs. Mendham Lake responded that they created a new design and would proceed with construction according to those new designs. However, Mendham Lake's sales brochure encouraged clients to copy competitors' designs when choosing the style of home they prefer. Mendham Lake suggested the client provide the developer a copy of the competitor's brochure depicting the model they chose. It was later discovered that a photocopy of VGI's sales brochure depicting the alleged infringed design was attached to the sales contract between Mendham Lake and one of their clients.

In late May, Mendham Lake filed a building permit with the supporting architectural plans and drawings. VGI believed these plans were virtually identical to their architectural plans. As a result, VGI filed a complaint alleging copyright infringement and sought a preliminary injunction to enjoin any further construction on the Mendham Lake home. The District Court granted the injunction, relying on, *inter alia*, VGI's likely success on the merits and the probable injury VGI would suffer if construction were allowed to continue.

LEGAL ANALYSIS

The issue for the District Court was whether VGI was entitled to preliminary injunctive relief against a competitor alleged to have copied VGI's architectural designs in violation of the Copyright Infringement Act of 1990. As a threshold matter the court considered whether VGI's architectural designs were eligible for copyright protection and in which form the designs might be protected. The court noted that architectural works are expressly protected by copyright.¹ As defined in 17 U.S.C. §101 and §102, "an architectural work is the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features. A pictorial, graphic and sculptural work includes two-dimensional and three-dimensional works of fine, graphic and applied art...diagrams and technical drawings, including architectural plans."² Based on these definitions the court concluded VGI's architectural plans, drawings and related sales brochures were expressly eligible for protection under the Copyright Act.³

The court began its analysis by outlining a copyright owner's basic rights. An owner has the exclusive right to authorize reproduction of the copyrighted work, prepare derivative works and display the copyrighted work publicly.⁴ Therefore, anyone who violates these exclusive rights is an infringer and the court may grant preliminary relief to prevent further

infringement.⁵

To resolve whether preliminary relief was warranted, the court considered three factors: (1) the likelihood of VGI's success on the merits; (2) whether VGI would be irreparably injured without the restraint; and (3) whether preliminary relief would serve the public interest.⁶ As to the first factor, likelihood of success, the plaintiff must show there is a "reasonable probability of eventual success in the litigation"⁷ by showing he owns a valid copyright and the defendant copied the protected work.⁸

In determining whether VGI owned a valid copyright, the court discussed two elements of copyright validity. First, copyright certificates are prima facie evidence of ownership of a valid copyright.⁹ However, even if a valid copyright certificate exists, the work must exhibit some "modicum of creativity" before it is copyrightable.¹⁰ In *Feist Publications v. Rural Telephone Service Co.*, the U.S. Supreme Court explained "original" means only that the author created the work independently and the work has a "minimal degree of creativity."¹¹ This required level of creativity is extremely low; even a small amount will suffice.¹² As a result, the New Jersey District Court concluded that VGI's architectural plans and sales brochure depicting the plans could be copyrighted stating that, "at a minimum, the basic floor plans and general external appearance qualify for copyright protection."¹³ Therefore, although "useful articles" cannot be protected by copyright because of their overriding utilitarian features, design elements embodied in useful articles are protected when they are sufficiently original. Thus, a doorway cannot be copyrighted as such because it is a useful article but the overall floor plan can be protected.

A copyright owner also needs to demonstrate that the defendant copied the architectural works. To establish copying, the plaintiff must show: (1) the defendant either had access to the protected work or actually used it in some way, and (2) the infringing work was substantially similar to the copyrighted work.¹⁴

"Actual use" of the protected work includes use of derivative works.¹⁵ A derivative work is a work based on one or more pre-existing copyrighted works which condenses, recasts or otherwise adapts the original.¹⁶ Thus, the photocopy of VGI's sales brochure depicting the copyrighted design was a derivative work. When Mendham Lakes made the copy and attached it to the sales contract they made actual use of copyrighted material.¹⁷

To establish "substantial similarity" the infringing work need not be identical to the protected work. It must simply be recognizable by the ordinary observer as taken from the copyrighted source.¹⁸ In making this determination the court is not to focus on the minute details but rather "record [its] impressions as they would appear to a layperson viewing [works] side by

side... and concentrate on the works' overall features."¹⁹ The court compared the plans and found, not only were the floor plans nearly the same, but the placement, design and size of the windows was identical. Thus, the two sets of plans were "substantially similar" and the court concluded VGI was likely to succeed on the merits of its infringement claim.

The second factor for the court under this preliminary relief inquiry was whether VGI would suffer irreparable harm if the court denied the injunction. A prima facie case of copyright infringement or a reasonable likelihood of success on the merits raises a rebuttable presumption of irreparable harm.²⁰ The court explained that such a presumption is warranted because copying a competitor's work jeopardizes the copyright owner's investment and competitive position and unfairly allows the infringer to profit from his competitor's hard-work.²¹ The court also noted that, if the two parties compete in a small market in which the product's success depends on its originality, then infringing practices are more likely to jeopardize the copyright owner's investment and competitive position and therefore, cause actual irreparable injury.²² Thus, in addition to the presumption of irreparable harm, actual irreparable injury to VGI would occur since the parties were competing in a small city and the housing market was particularly sensitive to duplicate designs.

The final factor the court considered was whether granting the injunction would serve the public interest. The public has an interest in preventing the pirating of creative energies and resources invested in copyrighted works.²³ Thus, the court concluded that a preliminary injunction against Mendham Lake would discourage copying and thereby serve the public interest.

CONCLUSION

In granting this preliminary injunction, the District Court demonstrated how the 1990 Copyright Act is to be applied to the new category, "architectural works." First, the Act now protects more than just the underlying plans for a building. It protects the design of a building "as embodied in any tangible medium of expression"²⁴ which may include the building itself or, as here, even the sales brochure displaying a photo of the building. Finally, although the court pointed to potential injury to the enjoined party as one factor in its analysis, they later concluded that a balancing of the hardships is not applicable to copyright infringement analysis. The court did not want to create a rule where a knowing infringer could quickly expend time and money after an act of infringement and then argue a subsequent injunction would harm him too severely.²⁵

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