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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92075254
Party	Defendant Lego Juris A/S
Correspondence Address	ELIZABETH A. ALQUIST DAY PITNEY LLP 242 TRUMBULL STREET 242 TRUMBULL STREET, CT 06103 UNITED STATES Primary Email: <a href="mailto:eaalquist@daypitney.com">eaalquist@daypitney.com</a> Secondary Email(s): <a href="mailto:cdoconnor@daypitney.com">cdoconnor@daypitney.com</a> , <a href="mailto:jblackowicz@daypitney.com">jblackowicz@daypitney.com</a> , <a href="mailto:trademarks@daypitney.com">trademarks@daypitney.com</a> 860-275-0137
Submission	Other Motions/Papers
Filer's Name	Elizabeth A. Alquist
Filer's email	<a href="mailto:eaalquist@daypitney.com">eaalquist@daypitney.com</a> , <a href="mailto:trademarks@daypitney.com">trademarks@daypitney.com</a> , <a href="mailto:cdoconnor@daypitney.com">cdoconnor@daypitney.com</a> , <a href="mailto:jblackowicz@daypitney.com">jblackowicz@daypitney.com</a>
Signature	/Elizabeth A. Alquist/
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_____	)	
Zuru LLC and Zuru Inc.,	)	
	)	
Petitioners,	)	Cancellation No.: 92075254
	)	Reg. Nos.: 1018875 and 2245652
v.	)	Mark: LEGO
	)	Class: 28
LEGO Juris A/S,	)	
	)	
Respondent.	)	
_____	)	

**RESPONDENT’S MOTION TO DISMISS, OR IN THE ALTERNATIVE, TO SUSPEND  
PETITIONER’S CANCELLATION PETITION AND MEMORANDUM OF LAW  
IN SUPPORT THEREOF**

Respondent LEGO Juris A/S brings this motion to dismiss or, in the alternative, to suspend the cancellation petition filed by Petitioners Zuru LLC and Zuru Inc. (collectively, “ZURU”), which seeks to cancel the registrations for the word mark LEGO on the ground that it is a generic term (the “Cancellation Petition”). Far from being a generic term, the 86-year-old LEGO brand name for construction toys is one of the top 100 global brands, as ranked by Interbrand. That being said, the ultimate merits of ZURU’s outlandish claim need not be reached by the Board, because, as detailed below, the Cancellation Petition should be dismissed for two independent reasons: judicial estoppel and ZURU’s sanctionable pattern of bad faith litigation tactics.

Omitted from ZURU’s Cancellation Petition is the fact that it has been trying to evade the jurisdiction of the United States District Court for the District of Connecticut, where LEGO filed a lawsuit claiming that ZURU’s Max Build More and Mayka Toy Block Tape toys infringed the

LEGO Group’s trade dress, copyrights, and design patents, captioned *LEGO A/S, LEGO Systems Inc., and LEGO Juris A/S v. ZURU Inc.*, No. 3:18-CV-02045 (AWT) (D. Conn. filed Dec. 13, 2018) (the “Connecticut Action”). In the Connecticut Action, after a full hearing with live witnesses, the district court preliminarily enjoined ZURU’s infringing manufacture and sale of certain toys. This injunction was affirmed in part by the Federal Circuit (the “Federal Circuit Appeal”). As discussed below, dismissal is warranted here because, in the Connecticut Action and the Federal Circuit Appeal, ZURU took positions ***directly contrary*** to its latest claims of genericness in the Cancellation Petition, and engaged in a pattern of seeking to evade the jurisdiction of the District Court of Connecticut and the preliminary injunction order—of which it has already found to be in contempt. At a minimum, in the alternative, this cancellation proceeding should be suspended pending resolution of the Connecticut Action, which “has a bearing” on this proceeding for the reasons stated below.

First, the Cancellation Petition should be dismissed under the doctrine of judicial estoppel, which is designed to protect the judicial system from abuse by preventing a party from taking a factual position that is contrary to a position that the party took in a prior legal proceeding. Judicial estoppel is present here, as ZURU has made multiple representations in the Connecticut Action and the Federal Circuit Appeal that directly contradict its allegation in the Cancellation Petition that the LEGO trademark is generic. ZURU in fact argued the ***exact opposite*** to the federal courts. In its opening brief in the Federal Circuit Appeal, ZURU called LEGO the “world’s most powerful brand” in order to support its argument that its toy products were not confusing because ZURU’s packaging does not use the LEGO word mark. (Ex. A.) In addition, ZURU’s expert witness testified at the preliminary injunction hearing in the Connecticut Action that the LEGO brand’s equity was “astonishing,” as well as “enormous.”

(Ex. B.) ZURU cited this testimony to argue that ZURU’s infringing products could not cause irreparable harm, given the size and notoriety of the LEGO brand. Moreover, the Connecticut district court, in a decision dated July 8, 2019, agreed that “the LEGO Group was way ahead [of] all other toy companies in terms of brand equity.” *LEGO A/S, et al. v. ZURU Inc.*, No. 3:18-CV-2045(AWT), 2019 WL 4643718, at \*16 (D. Conn. July 8, 2019), *aff’d in part, vacated in part, remanded*, 799 F. App’x 823 (Fed. Cir. 2020); (Ex. C.) Yet now, in its Cancellation Petition, ZURU is doing an about face by asserting that LEGO is a generic term, which directly contradicts its repeated statements that LEGO is “the world’s most powerful brand.” ZURU is abusing the judicial system by making contradictory arguments before two separate judicial bodies in order to obtain different outcomes at each. Fortunately, the doctrine of judicial estoppel was created to prevent precisely this type of gamesmanship in which a party takes contrary positions in separate actions whenever it suits that party. The doctrine of judicial estoppel is further intended to prevent the waste of judicial and party resources, which is just what ZURU is attempting to do here. Thus, the Cancellation Petition should be dismissed for this reason alone.

Second, ZURU’s Cancellation Petition should be dismissed under the Board’s inherent power to sanction parties who act in bad faith and assert frivolous claims. As noted above, ZURU’s claim that the LEGO trademark is generic is frivolous given its own recent admissions in the Connecticut Action and Federal Circuit Appeal that LEGO is a powerful brand. Moreover, ZURU’s bad faith is underscored by its pattern of vexatious and harassing behavior against the LEGO Group during the Connecticut Action, which the Board may consider in assessing sanctions. For example, on November 20, 2019, the district court in the Connecticut Action found ZURU in willful contempt of its preliminary injunction order by rushing to market

toys that continued to infringe the LEGO Group’s intellectual property rights. (Ex. D.) Moreover, sanctions are also appropriate because of bad faith litigation conduct, as this is the third time that ZURU has attempted to evade the jurisdiction of the District of Connecticut by filing proceedings like this one before other judicial bodies. First, after the Connecticut Action was commenced, ZURU attempted to challenge the validity of the LEGO Group’s design patent by filing a reexamination request before the United States Patent and Trademark Office (“USPTO”). (Ex. E.) The USPTO declined to institute the reexamination, finding “[n]o substantial new question of patentability is raised by the request for ex parte reexamination on the single claim in U.S. Patent No. D771,200.” (Ex. F.) Second, despite the Connecticut Action’s pendency, ZURU filed a separate suit against the LEGO Group in the U.S. District Court for the Central District of California for, among other things, antitrust violations. *ZURU LLC v. LEGO Systems, Inc., LEGO A/S and LEGO Juris A/S*, No. 2:19-cv-131-DSF (C.D. Cal. filed Jan. 7, 2019) (the “California Action”). As a result, LEGO was forced to move to transfer the California Action to the District of Connecticut, which motion was granted because the issues in the California Action were substantially similar to those in the Connecticut Action. Now, ZURU is making its third bad faith attempt to bring the parties’ dispute before another judicial body while the Connecticut Action is ongoing, despite its numerous admissions of the LEGO brand’s strength. In short, ZURU’s bad faith litigation behavior, coupled with its admissions of the LEGO brand’s strength (contrary to ZURU’s new claim of genericness), provide an independent basis of dismissal under the Board’s inherent power to sanction parties for harassing and improper filings.


Lastly, in the alternative, the Board should stay this proceeding pending the outcome of the Connecticut Action because it “may have a bearing on the Board case.” TBMP § 510.02(a).

The same parties are involved in this proceeding and the Connecticut Action: ZURU and LEGO. ZURU has put the strength of the LEGO brand at issue relating to the LEGO Group's irreparable harm in the Connecticut Action. Further, in the Connecticut Action, ZURU seeks to avoid liability by arguing the parties' use of their respective house marks, *i.e.* LEGO and ZURU, mitigates against confusion, thereby squarely putting the distinctiveness of the LEGO word mark at issue.

Thus, for the reasons detailed below, LEGO respectfully requests that the Board dismiss ZURU's Cancellation Petition or, in the alternative, suspend this proceeding pending the final outcome of the Connecticut Action.

### **FACTUAL BACKGROUND**

In 1932, Ole Kirk Kristiansen started a business making and selling wooden toys out of his workshop in Billund, Denmark. (Ex. G at ¶ 10.) He called the new company LEGO and adopted as its founding principle the Danish phrase *det bedste er ikke for godt*—only the best is good enough. *Id.* Now in its ninth decade, the LEGO Group's enduring commitment to that principle has made it the worldwide leader in the design and manufacture of construction toys and play materials for children of all ages. *Id.* ¶ 11. Indeed, LEGO is “famous throughout the world for its toy construction products.” *Id.* ¶ 44. “In 2015, the LEGO® brand was named the world's most powerful brand.” *Id.* ¶ 8. “[A]ccording to a 2014 survey by the Reputation Institute, the LEGO Group is the number two most-admired brand in the United States and number nine globally” and its products have been named “Toy of the Century” by both Fortune magazine and the British Association of Toy Retailers. *Id.* ¶ 10.

ZURU agrees. ZURU argued in the Federal Circuit Appeal: “It is likely that the ‘LEGO’ name—the most powerful brand in the world—and —the ‘world-famous LEGO® logo’—which are prominently displayed on LEGO’s Minifigure packaging, are the primary source identifiers for LEGO products.” (Ex. A at 62.) Indeed, over 16 times in its appellate briefing alone,<sup>1</sup> ZURU refers to the LEGO word mark, repeating: “In 2015, LEGO’s registered word mark ‘LEGO’ was named the world’s most powerful brand,” “LEGO exists in the stratosphere by itself in terms of toy brand equity,” “LEGO cites only to the massive strength of its name and logo,” “that the LEGO brand name and logo is so well known...,” “[t]he extraordinarily well known LEGO name and logo...,” “the world-famous logo, what LEGO trumpets as the leading brand name in the industry...,” “displays the world-famous LEGO brand name and logo...,” and “LEGO’s enormous brand equity...” (See, e.g., Ex. A at 6, 24, 55-57, 62; Ex. H at 1, 3, 4, 5, 16, 20, 21, 23, 24, 25, 26.)

### **ZURU’s History of Infringing the LEGO Group’s Intellectual Property**

On August 17, 2017, LEGO sent a cease & desist letter to ZURU putting it on notice of LEGO word marks and other intellectual property, and demanding it cease using the phrase “Mayka Lego Tape” in connection with one of its products now at issue in the Connecticut Action. (Ex. G at ¶ 32; I.) ZURU complied, changing its description to “Mayka Toy Block Tape.” (Ex. J.)

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<sup>1</sup> ZURU argued that LEGO is the world’s most powerful brand with enormous brand equity in other papers filed in the Connecticut Action and Federal Circuit Appeal as well. The citations here are exemplary, but by no means exhaustive.



Thereafter, in early October 2018, ZURU launched, exclusively at Walmart, its Max Build More product line of building bricks, described as “Max Bricks,” which infringe several of the LEGO Group’s trademarks, copyrights and patents.



The products included figurines strikingly and confusingly similar to the LEGO Group’s Minifigure figurine, protected by registered copyrights and trademarks.



USPTO Registration Number 4,903,968







Alternating LEGO® Minifigure figurines and ZURU Infringing Figurines

Once it became aware of ZURU’s conduct, LEGO moved quickly to stop ZURU’s infringement. On November 12, 2018, LEGO demanded by letter that ZURU cease and desist from the sale of products that infringe the LEGO Group’s patents, trademarks, and copyrights. (Ex. L.) The letter requested compliance by November 26, 2018. *Id.* When no substantive answer was received, LEGO sent a second demand letter to ZURU on December 3. (Ex. M.) Later, on December 5, ZURU finally provided a substantive response stating that it would not cease sale of the infringing Max Build More products and would not comply with the LEGO Group’s demands. (Ex. N.)

Faced with this ongoing infringement during the height of the holiday shopping season, LEGO informed ZURU that it would be filing suit and seeking a temporary restraining order. (Ex. O.) ZURU again sought further delay through the holiday buying season. *Id.* But then, on December 13, ZURU sent another email claiming it was suddenly willing to have all of the infringing products removed from its website and that it would “recall product currently with Walmart,” which ZURU had purportedly “started to action . . . today.” *Id.* Notwithstanding this assurance, ZURU’s product remained up on the Walmart website for sale, and LEGO was forced to seek relief from the court by filing the Connecticut Action. LEGO did not allege trademark infringement of the LEGO word mark in the Connecticut Action because, , after making the

change referred to above, to Petitioners' knowledge, ZURU has not and does not use the LEGO word mark to refer to its products in the United States.<sup>2</sup>

**TRO and Preliminary Injunction Granted against ZURU after Evidentiary Hearings**

The district court heard the evidence and argument of the parties, and then promptly granted a temporary restraining order at a December 14, 2018 hearing. (Ex. P.) The court then considered a full round of briefing and considered the parties' evidence at a two-day preliminary-injunction hearing on February 14-15, 2019. During the hearing, ZURU introduced evidence relating to the LEGO brand's equity. ZURU's own proffered toy industry expert, Richard Gottlieb, testified on direct examination:

Q. What about LEGO?

A. Well, LEGO is a very dominating part of the construction toy industry....

\* \* \*

A. ZURU is a substantial company, but in comparison to LEGO, no offense, ZURU, but you're fairly insignificant. LEGO is the largest toy company in the world by revenue. It may move into first or second place, but it's a substantial company. ... **And then the LEGO brand equity is just astonishing.** It's over \$7 billion. I believe the second largest brand in the toy industry was maybe a billion. So it's a very substantial company. And then when I—

THE COURT: Sorry. I don't know what the concept of brand equity is.

A. It means that if LEGO was to decide to sell their brand—

THE COURT: Fine.

A. They could get that much money for it.

(Ex. B, Tr. at 139:17-40:7; 161:16-62:11 (emphasis added).)

Gottlieb went on during cross-examination to admit:

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<sup>2</sup> Indeed, ZURU has not used the LEGO word mark in a purportedly generic sense, nor pointed to any other competitor doing so in the U.S. Instead, ZURU, competitors and the marketplace alike refer to generic construction toys, construction bricks, building bricks, interlocking blocks, and a myriad of other generic terms. *See, e.g.*, Ex. K, ZURU's Answer and Countercl. ¶¶ 3 ("construction toy"), 22 ("Competitor Bricks"), 46 ("In 2018, ZURU also developed its own distinctive line of figurines to be compatible with its own MAX Build More construction bricks and other generic bricks, including LEGO bricks and Competitor Bricks"), 56 (describing its own product line without using the term "Lego" or "Legos"); Ex. A and K, ZURU's Federal Circuit briefs and pleadings in the Connecticut Action, *passim*

Q. You were talking about how LEGO is way ahead in brand equity; is that fair to say?  
A. Yes.  
Q. And it's actually quite a bit of a difference even between the first place and the second place; isn't that right?  
A. Correct.  
Q. That means that LEGO has the largest amount of brand equity to lose; isn't that right?  
A. Yeah. **They have an enormous amount of brand equity.**  
Q. And they built that up based on their reputation?  
A. And a lot of hard work.

(Ex. B, Tr. at 178:2-14 (emphasis added).)

In order to support its arguments that there was no irreparable harm, ZURU argued to the district court: "In sum, it is inconceivable that a company—like LEGO—that appears as number one on the top ten brand equity toy companies could be harmed by a new entrant into the market, especially considering the construction toy industry contains multiple players." (*See, e.g.*, Ex. S, at 38-40.)

Citing in part ZURU's expert's testimony, the court granted the LEGO Group's motion for preliminary injunctive relief, issuing its written Ruling on July 8, 2019. (Ex. C at 40-41.) The court also relied in part on evidence of actual confusion, "including evidence that ZURU Inc. customers have used the LEGO name in connection with ZURU Products." (Ex. C at 22.) Indeed, the court cites to the testimony of Anna Mowbray, ZURU's Chief Operating Officer, on direct examination:

Q. Ms. Mowbray, are you aware of any consumer confusion between ZURU products and LEGO products?  
A. I am aware of I think I'd say maybe three comments online that refer to MAX as being LEGO. **So our customers put in the wrong brand name.**

(Ex. B, Tr. at 62:11-15(emphasis added).)<sup>3</sup>

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<sup>3</sup> Despite this clear admission, ZURU attempted weakly to argue on appeal that "two of the commenters appear to use the term 'legos' (not the actual 'LEGO' brand) as a short hand, generic term for toy construction bricks." (Ex. A at 53.) Thus, while touting over 16 times that the LEGO word mark is famous, well-known, and the most powerful brand in the world, and in

The court further found that LEGO is likely to demonstrate ZURU’s bad faith in light of ZURU’s failure to correct that confusion on its own social media pages, coupled with circumstantial evidence, “e.g. the number of infringing products, and the fact that ZURU Inc. continues to use the word ‘LEGO’ on its packaging outside the United States, see Def.’s Ex. HHH, notwithstanding the discussions between the parties in 2017 concerning the ‘ZURU Mayka Lego Tape.’” (Ex. C at 23.)<sup>4</sup> Moreover, the Court found

there is a more than reasonable possibility that ZURU Inc. had access to the Minifigure figurine because the figurine has been sold in large quantities since 1978 and the LEGO Group has engaged in substantial promotional advertising and marketing efforts related to the Minifigure figurine for over 40 years. It [is] implausible that a competing toy company in the figurine business could not have known of the Minifigure figurine.

*Id.* at 8. Similarly,

the Friends figurine has been sold in numerous varieties of LEGO® brand toy sets since 2012, and the LEGO Group has undertaken substantial promotional, advertising, and marketing efforts with respect to the Friends figurine during that period. In addition, the Friends line of products has been widely-recognized in the international toy community, winning “Toy of the Year” for the best overall at the 2013 International Toy Fair in New York City, in addition to winning or being nominated for a number of additional awards. All of this would be common knowledge for toy companies in the figurine business.

*Id.* at 9.

After the preliminary injunction hearing, ZURU replaced its lawyers.


### **The Federal Circuit Court of Appeals Upholds the Injunction**

ZURU appealed the preliminary injunction ruling to the Federal Circuit Court of Appeals. In support of its arguments that LEGO would not suffer irreparable harm and there

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the face of its own COO’s admission that the social media posts refer to the LEGO brand, ZURU’s claim of generic usage lacks good faith.

<sup>4</sup> Defendant’s Ex. HHH cited by the court is a physical exhibit—a ZURU Max Build More set, which states “LEGO® BRICK COMPATIBLE” in the upper right-hand corner. Before launching in the U.S., ZURU changed its packaging to read “Compatible with Major Brands” in the same location. *See, e.g., supra*, photos at page 7.

would be no confusion with ZURU’s infringing products, ZURU argued repeatedly in its briefing “It is likely that the ‘LEGO’ name—the most powerful brand in the world—and —the ‘world-famous LEGO® logo’—which are prominently displayed on LEGO’s Minifigure packaging, are the primary source identifiers for LEGO products.” (Ex. A, at 62.) Over 16 times in its appellate briefing alone, ZURU refers to the LEGO word mark, repeating: “LEGO’s registered word mark ‘LEGO’ [as] the world’s most powerful brand,” “LEGO exists in the stratosphere by itself in terms of toy brand equity,” “LEGO cites only to the massive strength of its name and logo,” “that the LEGO brand name and logo is so well known...,” “[t]he extraordinarily well known LEGO name and logo...,” “the world-famous logo, what LEGO trumpets as the leading brand name in the industry...,” “displays the world-famous LEGO brand name and logo...,” and “LEGO’s enormous brand equity...” (See, e.g., Ex. A at 6, 24, 55-57, 62; Ex. H at 1, 3, 4, 5, 16, 20, 21, 23, 24, 25, 26.)

The Federal Circuit upheld the injunction with respect to the figurines. (Ex. Q.) The Federal Circuit’s ruling begins: “LEGO is an industry leader in designing and manufacturing toys and play materials for children of all ages worldwide, including toy building elements, figurines and toy sets in the construction toy category.” *Id.* at 2. The Federal Circuit further upheld the district court’s finding of irreparable harm with respect to the copyright claim, in part, because “LEGO would likely suffer lost goodwill and damaged reputation absent an injunction. With respect to the latter finding, the district court relied on a social media post noting that while ZURU Action Figures were ‘[a]wesome,’ a problem is that ‘the bod[ies] come[] apart extremely easily.’ The risk of consumers associating defective products with the LEGO brand-name is apparent.” *Id.* at 13.

### **ZURU Willfully Violates the Preliminary Injunction and is Held in Contempt**

Undaunted by a preliminary injunction issued by a federal district court, in October 2019 ZURU launched exclusively at Walmart.com what it called “re-designed” figurines, which were nearly indistinguishable from the enjoined figurines. The LEGO Group moved for a contempt order and, after full briefing and an evidentiary hearing, the court held ZURU in contempt, finding that ZURU’s sole fact witness lacked credibility and that ZURU’s counsel had made inaccurate statements to the LEGO Group’s counsel. (Ex. D at 19-20 (“...the court cannot credit the testimony by [Sherrie] Hargus about the Redesigned Figurines being reviewed again in light of the number of occasions during her testimony when she made statements that were subsequently revealed to be inaccurate or misleading.”); 25 (“Hargus’s testimony shows that this representation by ZURU Inc.’s counsel was incorrect.”). Finding a willful violation of the preliminary injunction, the Court awarded LEGO all attorneys’ fees and costs related to the motion for contempt. (Ex. D at 29.)

ZURU initiated an appeal of the ruling of contempt, but later withdrew that appeal prior to briefing. ZURU also filed an Emergency Motion to Stay the Preliminary Injunction after the district court indicated it was granting the motion for contempt but before the court could issue its Ruling. ZURU’s Emergency Motion was supported by a Declaration of its COO, Anna Mowbray, in which ZURU claimed “Walmart has informed ZURU, if the redesigned 15 Pack of figurines are recalled, Walmart will likely discontinue the entire MAX BUILD MORE™ line, including toy building brick sets that are not accused.” (Ex. X at ¶ 14.) “ZURU will struggle to find another partner for the MAX BUILD MORE™ line...” *Id.* at ¶ 15.<sup>5</sup>

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<sup>5</sup> Indeed, ZURU’s website currently states that its Max Build More line is “NOT AVAILABLE FOR SALE IN THE USA.” <https://zuru.com/brands/max-build-more> (last accessed October 28, 2020)(Ex. Z.)

After the contempt ruling, ZURU replaced its lawyers again.

**ZURU's Antitrust Counterclaims in the Connecticut Action are Dismissed**

On April 22, 2020, the district court dismissed Counts I, II and XV of ZURU's Counterclaims in the Connecticut Action, which were directed to antitrust allegations, for failure to state a claim upon which relief could be granted.<sup>6</sup> (Ex. R.) ZURU's dismissed counterclaims mirror some of the defenses it attempted to pursue at the preliminary injunction stage and continues to pursue in the Connecticut Action. For example, ZURU alleges: LEGO "is the largest construction toy company in the world, generating billions of dollars a year in revenue that is many times larger than the second largest construction toy company. LEGO also commands a much higher retail price for its construction toy products than competing companies." (Ex. K, Countercl. at ¶ 3.) ZURU alleges that LEGO attempted to monopolize the "construction toy" market in the United States, which it defined as "collections of individual pieces with interlocking features that can be connected or taken apart in a number of ways." *Id.* ¶ 122. It tried to claim that LEGO routinely obtains intellectual property rights and asserts those rights against competitors to extend its monopoly in the construction toy market. ZURU alleges: "There are substantial barriers which make successful entry by new brands into the construction toy market unlikely. For example, successful entry requires a high initial investment in specialized production and tooling equipment and facilities, as well as a substantial continuing investment in product development. Additional barriers to entry included entrenched buyer preferences and **brand loyalty to LEGO**, as well as limited retail shelf space already dominated

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<sup>6</sup> Despite arguing in the California Action that the claims there were not substantially similar to the claims in the Connecticut Action, ZURU's Counterclaims filed in the Connecticut Action mirror the allegations of the California Action. (*Compare* Ex. V, Amended Compl., CA Action *with* Ex. K, Counterclaims, Connecticut Action.)

by LEGO.” *Id.* ¶ 124 (emphasis added). Although the Court dismissed ZURU’s unfounded antitrust claims, the factual paragraphs remain incorporated into all remaining Counterclaims.

**ZURU’s Defenses and Discovery Requests Put the LEGO word Mark at Issue**

Now on its third set of lawyers, ZURU continues to raise several defenses and Counterclaims in the Connecticut Action that put the LEGO word mark at issue. For example, ZURU states in its Counterclaim: “ZURU’s packaging is also not confusingly similar to that of LEGO, because, among other reasons, the ZURU house mark and logo are displayed prominently throughout ZURU’s packaging on ZURU products. It is immediately clear to any consumer that these products come from ZURU, not LEGO.” (Ex. K, Countercl. ¶ 59). ZURU similarly argued in its Closing Argument brief at the preliminary injunction stage:

A company’s name and logo are classic identifiers of source, as Ms. Knight acknowledged.

However, Ms. Knight’s logic applies equally to Plaintiffs’ products:



Plaintiffs’ construction toy figurines are not source identifiers—as Plaintiffs admit—rather, they are the products branded under the “LEGO” and “MINIFIGURE” marks.<sup>12</sup>

(Ex. S at 19.)

In addition, the LEGO word mark is a focus of discovery in the Connecticut Action. For example, ZURU questions whether the Minifigure figurine is ever sold or used without the LEGO word mark. (Ex. T, *e.g.*, “Request for Admission No. 65: Admit that LEGO has never



sold any Minifigures in the U.S. in packaging that does not display the word ‘LEGO’ on it.” “Request for Admission No. 66: Admit that LEGO has never sold any bricks in the U.S. in packaging that does not display the word ‘LEGO’ on it.” “Request for Admission No. 67: Admit that LEGO has never placed a print, television or Internet advertisement in the U.S. for a Minifigure in which the word ‘LEGO’ is not displayed or spoken.” “Request for Admission No. 68: Admit that LEGO has never placed a print, television or Internet advertisement in the U.S. for a LEGO brick in which the word ‘LEGO’ is not displayed or spoken.”)

The LEGO Group’s on-line policing efforts have also become part of the discovery discussions, including ZURU’s request for a “high level summary” of the LEGO Group’s policing efforts, including of its LEGO word mark. The LEGO Group has engaged in significant policing and enforcement of its LEGO word mark, which will certainly also be at issue in the Cancellation Petition.

## **ARGUMENT**

### **A. The Board should Dismiss the Cancellation Proceeding under the Doctrine of Judicial Estoppel**

“Unlike equitable estoppel, which is designed ‘to ensure fairness in the relationship between parties,’ judicial estoppel protects the sanctity of the oath and the integrity of the judicial process.” *Bates v. Long Island Railroad Co.*, 997 F.2d 1028, 1037–38 (2d Cir. 1993) (quoting *Konstantinidis v. Chen*, 626 F.2d 933, 937 (D.C.Cir.1980)). As courts and legal commentators have explained:

[T]here are two distinct objectives behind judicial estoppel, both of which seek to protect the judicial system. First, the doctrine seeks to preserve the sanctity of the oath by demanding absolute truth and consistency in all sworn positions. Preserving the sanctity of the oath prevents the perpetuation of untruths which damage public confidence in the integrity of the judicial system. Second, the

doctrine seeks to protect judicial integrity by avoiding the risk of inconsistent results in two proceedings.

*Id.* at 1038 (citing Rand B. Boyers, Comment, *Precluding Inconsistent Statements: The Doctrine of Judicial Estoppel*, 80 Nw.U.L.Rev. 1244, 1250–58 (Spring 1986) (discussing various rationales behind doctrine)).

“The Court of Appeals for the Federal Circuit views judicial estoppel as an equitable principle that holds a party to a position on which it prevailed, as against later litigation arising from the same facts.” *Boston Chicken Inc. v. Boston Pizza Int’l Inc.*, 53 U.S.P.Q.2d 1053, 1055 (TTAB 1999) (citing *Data Gen. Corp. v. GSA*, 78 F.3d 1556 (Fed. Cir. 1996)); see *U.S. Phillips Corp. v. Sears Roebuck & Co.*, 55 F.3d 592, 34 U.S.P.Q.2d 1699 (Fed. Cir. 1995).) “The doctrine is intended to protect the courts and the integrity of judicial proceedings against litigants who ‘play fast and loose with the courts.’” *Id.* (citing *Data Gen. Corp.*, 78 F.3d at 1565; 18 Charles A. Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice and Procedure*, § 4477, at 779 (1981). “Application of the doctrine lies within the discretion of the court.” *Id.* (citing *Data Gen. Corp.*, 78 F.3d 1556).

“Although the Trademark Trial and Appeal Board is not a court, the Board has authority to apply the doctrine of judicial estoppel in appropriate cases.” *Boston Chicken*, 53 U.S.P.Q.2d at 1055 (citing *Vitaline Corp. v. General Mills, Inc.*, 891 F.2d 273, 13 U.S.P.Q.2d 1172 (Fed. Cir. 1989) (affirming application of another judicially-developed equitable doctrine, that of claim preclusion, by the Board)).

There is a seven factor test for judicial estoppel: “(1) judicial acceptance of the previously asserted inconsistent position; 2) risk of inconsistent results; 3) effect of the pleading party's actions on the integrity of the judicial process; 4) perception that the tribunal has been misled; 5) reliance by the opposing party; 6) prejudice to the opposing party's case

as a result of the inconsistent position; and 7) the party against whom estoppel is invoked must have received some benefit from the previously taken position.” *Id.* Applying judicial estoppel, the Board has held, for instance, where one party brought a previous claim that necessarily implicated the opposing party’s use of a mark, it could not later bring an opposition claiming non-use of that same mark. *Ale House Mgmt., Inc. v. LM Rests., Inc.*, No. 91152294, 2005 WL 1285672, at \*6 (TTAB May 2, 2005).

Here, applying judicial estoppel to ZURU’s duplicity will protect “the sanctity of the oath and the integrity of the judicial process.” *Bates*, 997 F.2d at 1037. In the Connecticut Action and in the Federal Circuit Appeal, ZURU repeatedly and in no uncertain terms stated a fact: the LEGO brand is the world’s most powerful brand with enormous brand equity in the toy industry. Both the district court and the Federal Circuit relied on ZURU’s factual statements of the LEGO brand’s equity in their rulings. ZURU comes to the Board now claiming the exact opposite: the LEGO brand is generic. A finding by the Board that LEGO is generic risks an inconsistent result. ZURU must be stopped from impugning “the integrity of judicial proceedings” and “play[ing] fast and loose with the courts.” *Boston Chicken*, 53 U.S.P.Q.2d at 1055. Accordingly, the Board should dismiss the Cancellation Proceeding under the doctrine of judicial estoppel.

**B. The Board should Dismiss the Cancellation Proceeding because of ZURU’s Bad Faith**

Under its inherent authority, the Board may enforce sanctions (including judgment for the moving party) in its discretion resulting from bad faith and other misconduct. *Carrini Inc. v. Carla Carini S.R.L.*, 57 U.S.P.Q.2d 1067, 1071 (TTAB 2000). The Board will consider judgment as a sanction in instances where parties engage in bad faith conduct, violate discovery rules and procedures, or violate orders from the Board. *NSM Resources*

*Corp. v. Microsoft Corp.*, 113 U.S.P.Q.2d 1029, 1038 (TTAB 2014) (entering sanction of entry of judgment for bad-faith litigation under both the Board’s inherent authority to sanction and Rule 11). In doing so, the Board considers bad faith litigation practices in its decision to enter sanctions. *The Coca-Cola Co. v. Somohano-Soler*, No. 91232090, 2019 WL 4795611, at \*4 (Sept. 27, 2019) (“[T]he Board has discretion to impose sanctions for, among other things, filings with ‘any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation.’”). Moreover, the Board may consider a party’s conduct in other proceedings when it constitutes a pattern of bad faith behavior. *Id.*; *cf. NSM*, 113 U.S.P.Q.2d at 1037.

In short, ZURU’s Cancellation Petition is nothing more than the futile attempt of a losing litigant to harass LEGO with yet another frivolous claim and multiply litigation costs. As noted above, ZURU’s claim that LEGO is generic is frivolous given its own recent admissions in the Connecticut Action and Federal Circuit Appeal that LEGO is a powerful brand. Moreover, ZURU’s bad faith is underscored by its pattern of vexatious and harassing behavior against the LEGO Group during the Connecticut Action. Not only did the district court in the Connecticut Action find ZURU in contempt of its preliminary injunction, but in finding a willful violation and granting LEGO its attorneys’ fees and costs, the Court found ZURU’s witness lacked credibility, and its lawyers to have made a misrepresentation to the LEGO Group’s counsel. (Ex. D.)

In addition, this is the third time that ZURU has attempted to evade the jurisdiction of the District of Connecticut by filing proceedings like this one before other judicial bodies. First, after the Connecticut Action was commenced, ZURU failed in its attempt to challenge the validity of the ‘200 Patent when the USPTO rejected ZURU’s reexamination request because

“[n]o substantial new question of patentability is raised by the request for ex parte reexamination on the single claim in U.S. Patent No. D771,200.” (Ex. F.) Second, despite the Connecticut Action’s pendency, ZURU filed a separate suit against LEGO in California, *ZURU LLC v. LEGO Systems, Inc., LEGO A/S and LEGO Juris A/S*, No. 2:19-cv-131-DSF (C.D. Cal. filed Jan. 7, 2019). As a result, LEGO was forced to move to transfer the California Action to the District of Connecticut, which motion was granted because the issues in the California Action were substantially similar to those in the Connecticut Action. (Ex. W.) Now, ZURU is making its third bad faith attempt to bring the parties’ dispute before another judicial body while the Connecticut Action is ongoing, despite its numerous admissions of the LEGO brand’s strength.

In short, ZURU’s bad faith litigation behavior, coupled with its admissions of the LEGO brand’s strength, provide an independent basis of dismissal under the Board’s inherent power to sanction parties for harassing and improper filings.

**C. In the Alternative, the Board should suspend the Cancellation Petition because the Connecticut Action has a Bearing on It**

Even if the Board does not dismiss the Cancellation Petition under the doctrine of judicial estoppel or as a warranted sanction under the Board’s inherent authority, the Board should at least suspend the Cancellation Petition, pending the outcome of the Connecticut Action between the same parties involving related issues. *See* 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, §32:47 (citing *Whopper-Burger, Inc. v. Burger King Corp.*, 171 U.S.P.Q. 805, 1971 WL 16554 (TTAB 1971)).

"Ordinarily, the Board will suspend proceedings in the case before it if the final determination of the other proceeding may have a bearing on the issues before the Board."

*See* TBMP §510.02(a); *see also Gen. Motors Corp. v. Cadillac Club Fashions, Inc.*, 22 U.S.P.Q.2d 1933, 1936 (TTAB 1992) (relief sought in Federal district court included an order directing Office to cancel registration involved in cancellation proceeding). Generally, the Board will exercise its discretion and suspend unless there are unusual circumstances, such as when the movant is trying to prevent or stall unfavorable decisions or escape potentially dispositive motions, which are not present here. *See JVMAX, Inc. v. ESR Performance Corp.*, No. 92063873, 2018 WL 1010721 (TTAB Feb. 15, 2018).

Suspension is appropriate even if the civil case may not be dispositive of the Board proceeding, so long as the ruling in the civil case will have a bearing on the rights of the parties in the Board case. Trademark Rule 2.117(a); *Arcadia Grp. Brands Ltd. v. Studio Moderna Sa*, 99 U.S.P.Q.2d 1134 (TTAB 2011); *Martin Beverage Co. Inc. v. Colita Beverage Company*, 169 U.S.P.Q. 568, 570 (TTAB 1971). For example, in *Kearns-Tribune, LLC v. Salt Lake Tribune Publishing Co.*, No. 151,843, 2003 WL 22134916 (TTAB Sept. 11, 2003), Opposer Kearns-Tribune, LLC filed a notice of opposition to the registration of applicant, Salt Lake Tribune Publishing Company, LLC, for the mark THE SALT LAKE TRIBUNE for “newspapers for general circulation” in Class 16. *Kearns-Tribune, LLC*, 2003 WL 22134916 at \*1. Applicant sought to suspend pending disposition of a district court action involving the ownership of the respective rights of the parties to purchase and transfer of the newspaper itself. Even though the issues in the respective proceedings were different - ownership of mark THE SALT LAKE TRIBUNE at issue in the opposition proceeding and the ownership of the newspaper itself was at issue in the civil action - because THE SALT LAKE TRIBUNE newspaper appeared to be

the goods identified in the involved application, the Board found that a determination of the parties' rights to purchase or transfer those assets may have a bearing on the issues before the Board, and granted suspension. *Id.* at 3-4.

Similarly, here, both the Cancellation Petition and Connecticut Action involve the same parties<sup>7</sup> and the same goods at issue (*e.g.*, construction toys). Further, as discussed above, the word mark LEGO, which is the subject of the Cancellation Petition, is also at issue in the parties' claims and defenses in the Connecticut Action. *See Cmty. Tr. Bancorp, Inc. v. Cmty. Tr. Bank*, No. 91194948, 2012 WL 12517285, at \*3 (TTAB Feb. 7, 2012) (affirming suspension, because the federal case *could* have a bearing on the opposition proceeding and any decision on a relevant fact in the district court would be binding on the Board, while a decision of the Board would not be binding on the court).

Plainly, the Connecticut Action has a bearing on the Cancellation Petition, including facts and issues relating to the LEGO brand as “the world’s most powerful brand.” As described more fully above, there has been already and will be testimony relating to the LEGO brand and LEGO word mark in the Connecticut Action, including its fame and brand equity. Further, ZURU’s defenses and discovery requests in the Connecticut Action are directed to the LEGO brand and word mark. In addition, rulings in the Connecticut Action have cited the use

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<sup>7</sup> While Petitioner ZURU LLC is not a named party in the Connecticut Action, it is the alter ego of Petitioner ZURU Inc. ZURU Inc. is the sole member ZURU LLC. Challenging personal jurisdiction in the Connecticut Action, ZURU argued that ZURU LLC was a necessary and indispensable party. Rejecting the argument, the court found that “any activity by ZURU, LLC relevant to this case was done solely as an agent, if not as the alter ego, of ZURU Inc. and that this means that ZURU, LLC is not a necessary party to this litigation against ZURU Inc.” (Ex. U at 23.)

of the LEGO word mark, including ZURU's past infringing use of "Mayka LEGO Tape." Moreover, discovery and testimony is directed to other competitors in the construction toy market, which will necessarily include facts relating to their and retailers' use of generic terms to describe their products, such as construction toys, bricks, building bricks, building blocks, interlocking building elements, and the notable absence of using LEGO in any purportedly generic sense. Indeed, ZURU has issued three third-party subpoenas in the last few weeks to competitors seeking documents relating to their products "that are compatible with Lego products."<sup>8</sup> (*See, e.g.*, Ex. Y.)

Finally, suspension of the Cancellation Petition would further judicial economy. If ZURU's COO and website are to be believed, ZURU may have exited the construction toy market in the United States entirely, or may well do so by the time the Connecticut Action is completed, and may lack standing. (Ex. X at ¶¶ 14-15; Z.)

All of this evidence has a bearing on the Cancellation Petition and, accordingly, the Board should suspend the Cancellation Petition pending the final outcome of the Connecticut Action.

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<sup>8</sup> ZURU defines "Lego" as "Lego A/S, Lego Systems, Inc. and/or Lego Juris A/S, including any of their past or present officers, directors, employees, divisions, subsidiaries, affiliates, predecessors and successors, investors, shareholders, any joint venture to which either may be a party, contractors, consultants, representatives, agents and accountants, including any person who served in any such capacity at any time." (Ex. Y.)



Dated: October 28, 2020

Respectfully submitted,

LEGO Juris A/S,

By: /s/ Elizabeth A. Alquist/  
Elizabeth A. Alquist  
**Day Pitney LLP**  
242 Trumbull Street  
Hartford, CT 06103  
[trademarks@daypitney.com](mailto:trademarks@daypitney.com)

**CERTIFICATE OF SERVICE**

I hereby certify that on the date set forth below a true and correct copy of the foregoing MOTION TO DISMISS, OR IN THE ALTERNATIVE, TO SUSPEND PETITIONER'S CANCELLATION PETITION AND MEMORANDUM OF LAW IN SUPPORT THEREOF was served upon the attorney of record for the Petitioner by electronic mail as follows:

John R. Horvack, Jr., Esq.  
Carmody Torrance Sandak & Hennessey LLC  
195 Church Street, 18<sup>th</sup> Floor  
New Haven, CT 06509  
United States  
[jhorvackjr@carmodylaw.com](mailto:jhorvackjr@carmodylaw.com)

Signature: /s/ Elizabeth A. Alquist/

By: Elizabeth A. Alquist

Date: October 28, 2020

# **Exhibit A**

19-2122

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IN THE  
**United States Court of Appeals**  
FOR THE FEDERAL CIRCUIT

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LEGO A/S, LEGO SYSTEMS, INC., LEGO JURIS A/S,

*Plaintiffs-Appellees,*

—v.—

ZURU INC.,

*Defendant-Appellant.*

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ON APPEAL FROM THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF CONNECTICUT  
JUDGE ALVIN W. THOMPSON  
3:18-CV-02045-AWT

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**CORRECTED OPENING BRIEF OF DEFENDANT-APPELLANT ZURU INC.**

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TAMI LYN AZORSKY  
R. TYLER GOODWYN IV  
JOHN W. LOMAS, JR.  
DENTONS US LLP  
1900 K Street, N.W.  
Washington, DC 20006  
(202) 496-7183

*Attorneys for Defendant-Appellant  
ZURU Inc.*

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## CERTIFICATE OF INTEREST

Counsel for Defendant-Appellant ZURU Inc. certify the following:

1. The full name of every party or amicus represented by me is:

ZURU Inc.

2. The name of the real party in interest if the party named in the caption is not the real party in interest is:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the real parties represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

Partner Simon I. Allentuch of Aeton Law Partners LLP

Partners Thomas M. Dunlap, Cortland Christopher Putbrese, and Nicholas Kurtz, and Associate Laura Seferian of Dunlap Bennett & Ludwig PLLC (*terminated*)

Sandy Theodosiou-Roussas of Stockman O'Connor (*terminated*)

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal

None.

Dated: July 31, 2019

By: /s/ Tami Lyn Azorsky

Tami Lyn Azorsky  
R. Tyler Goodwyn, IV  
John W. Lomas, Jr.  
DENTONS US LLP  
1900 K Street, N.W.  
Washington, DC 20006  
(202) 496-7183  
[tami.azorsky@dentons.com](mailto:tami.azorsky@dentons.com)  
[tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
[john.lomas@dentons.com](mailto:john.lomas@dentons.com)

*Attorneys for Defendant-Appellant  
ZURU Inc.*

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CERTIFICATE OF SERVICE

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### **STATEMENT OF RELATED CASES**

No other appeal in or from the same civil action or proceeding in the lower court has previously been before this or any other appellate court. There is no case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this Court's decision in the pending appeal.

### **JURISDICTIONAL STATEMENT**

The action below involves claims of patent, copyright, trademark, and trade dress infringement and thus pursuant to 28 U.S.C. §§ 1331, and 1338(a), the U.S. District Court for the District of Connecticut has subject-matter jurisdiction over the action from which this appeal is taken.

This is an interlocutory appeal of a district court's order granting a preliminary injunction in an action arising out of the U.S. Patent Act, and thus this Court has jurisdiction pursuant to 28 U.S.C. §§ 1292(a) & (c) and 1295(a).

ZURU timely noticed this appeal the day after the district court entered its order granting a preliminary injunction.

## STATEMENT OF THE ISSUES

1. Whether the district court abused its discretion in granting a preliminary injunction banning the sale of ZURU Action Figures by:
  - (i) erroneously finding that LEGO would likely suffer irreparable harm without an injunction despite no evidence that LEGO would suffer the requisite actual, imminent, and irreparable injury;
  - (ii) erroneously finding that the balance of hardships favors LEGO despite evidence of substantial hardship to ZURU and no hardship to LEGO; and
  - (iii) erroneously concluding that LEGO was likely to succeed on the merits of its claims that the ZURU Action Figures infringe certain registered copyrights and a registered trademark after improperly comparing the ZURU Action Figures to LEGO products other than the asserted registered copyrights and registered trademark.
  
2. Whether the district court abused its discretion in granting a preliminary injunction barring the sale of ZURU MAX Build More Bricks when it erroneously concluded that LEGO would likely suffer irreparable harm without an injunction despite no evidence that LEGO would suffer the requisite actual, imminent, and irreparable injury.



3. Whether the district court abused its discretion in granting a preliminary injunction barring the use of the MAYKA Package Image when the court erroneously concluded that LEGO would likely suffer irreparable harm without an injunction despite no evidence that LEGO would suffer the requisite actual, imminent, and irreparable injury and despite the substantial differences between the MAYKA Package Image and LEGO's asserted copyrights.

4. Whether the district court abused its discretion in setting the bond at just the nominal amount of \$25,000 despite unchallenged evidence that the injunction would cause ZURU millions of dollars in losses, damaged business relationships, and lost shelf-space.

## STATEMENT OF THE CASE

### BACKGROUND

#### **Defendant-Appellant ZURU Inc.**

ZURU Inc. is a member of the ZURU Group of companies, which are family-owned toy and consumer products companies founded in Cambridge, New Zealand in the early 2000s. Appx669. Cambridge is the hometown of ZURU's founder-owners Mat, Anna, and Nick Mowbray, and where the ZURU idea began when Mat invented a model hot air balloon that won the New Zealand Science Fair. Appx1257-1260, Appx1730-1732.

To start the business, Mat and Nick moved to a small town in China, living on \$1 to \$2 a day, and to further the business, Mat later moved to Hong Kong, where he lived in a hostel with 18 other people. *Id.* The ZURU Group has since grown into a diversified global enterprise with 5,000 employees across 18 offices. Appx669, Appx1730-1732. ZURU has a reputation for innovative, high quality, and value priced products that ZURU is able to deliver through its unique, new-age manufacturing techniques. *Id.*, Appx1262-1265. Despite being a relatively young company, ZURU has more than 200 patents, more than 400 trademarks, and numerous copyrights. Appx261.

Over the years, ZURU has built brand recognition and a strong consumer base with a product line that includes high-quality toy products such as Bunch O

Balloons™, X-Shot™, Robo Alive™, Mayka™, Fidget Cube™, Tangle™, ZURU Smashers™, 5 Surprise™, and Metal Machines™. Appx669-670, Appx1730-1732; *see also* Appx1364-1368.

ZURU has consistently been recognized by the toy industry for its innovative products. Among its recent awards are: (1) 2018 Toy of the Year award in the Active/Outdoor Toy category for the Bunch O Balloons™ Filler Soaker, following another Toy of the Year award in 2017 for the Bunch O Balloons™ product; (2) the 2018 Independent Toy Awards for Smashers™; and (3) the 2018 MadeforMums Award for Rainbocorns™. Appx670; *see also* Appx1366-1367. The Rainbocorns™ also has been nominated for a Toy of the Year award this year. *Id.* ZURU's success also led to Nick Mowbray recently winning the New Zealand Entrepreneur of The Year award and, previously, the New Zealand Young Entrepreneur of The Year award. Appx1262-1263, Appx1730-1732.

ZURU's strong reputation in the toy industry has led to partnerships with leading entertainment properties, including Nickelodeon, Disney, Universal Studios and DreamWorks. Appx1257-1260, Appx1364-1365.

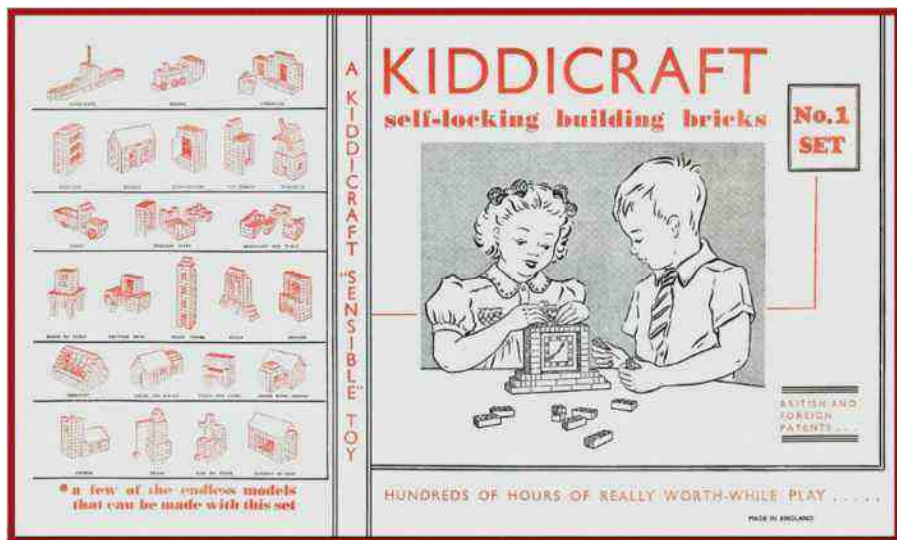
ZURU's commitment to community includes supporting Captivating International, local China orphanages and student development programs in Asia and in New Zealand. Appx1730-1732.

**Plaintiffs- Appellees LEGO A/S, LEGO Systems, Inc., and LEGO Juris A/S (collectively “LEGO”)**

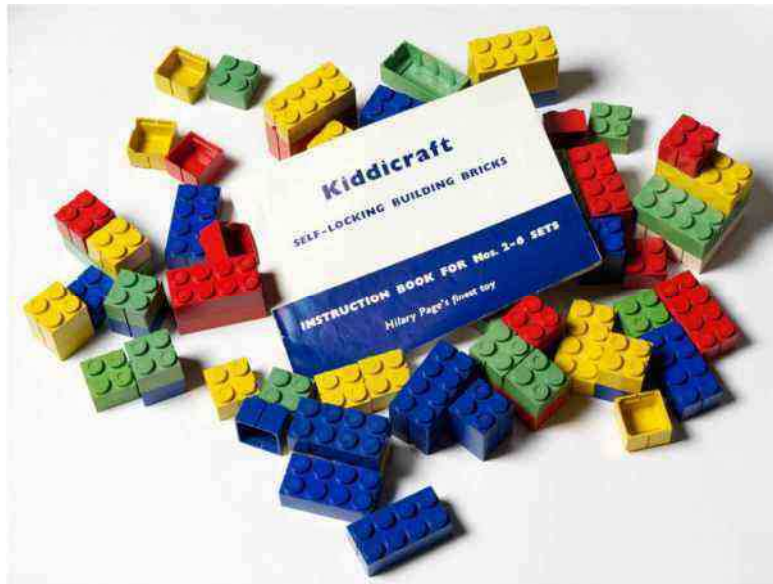
LEGO is based primarily in Billund, Denmark, where it was founded. Appx129-131. In 2015, LEGO’s registered work mark “LEGO” was named the world’s most powerful brand. Appx130. LEGO’s products are sold at premium prices that keep them out of reach for disadvantaged populations. Appx1363-1364, Appx1381-1382.

LEGO Copies Kiddicraft

Long before their launch by LEGO, cylindrical studs were used as a functional element on toy construction bricks developed in the 1940s by Hilary “Harry” Fisher Page of KIDDICRAFT (a United Kingdom company). See Appx712-718, Appx687. Below is a box cover of the KIDDICRAFT product:

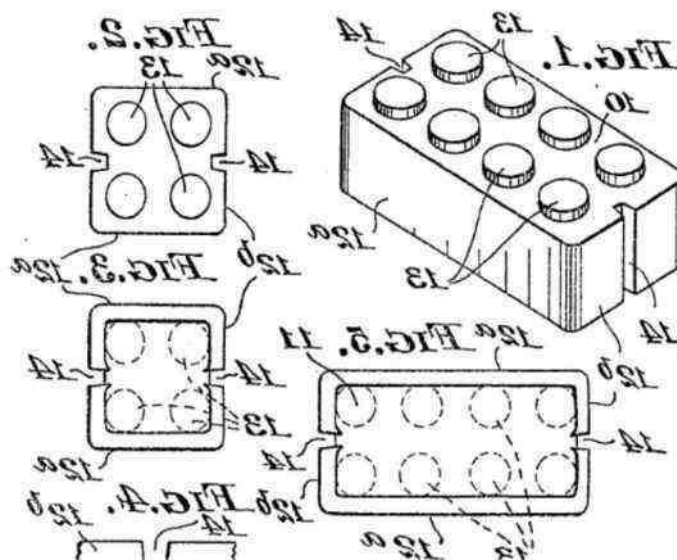


Appx712-718; see also Appx687. The following photograph shows the KIDDICRAFT bricks with cylindrical studs on each brick:



See Appx688.

Mr. Page was granted patent protection for the brick in the UK, France, and elsewhere. Figures from Mr. Page's UK Patent No. 633,055, applied for in 1945, are shown below:



See Appx689.

LEGO created a product almost identical to the KIDDICRAFT product in Denmark, a jurisdiction where KIDDICRAFT had no patent protection. See

Appx712-718; *see also* Appx689. LEGO modified the brick in the 1950s by adding “tubes” or secondary projections in the hollow cavity of the brick. *See* Appx689. LEGO obtained patent rights in the modified brick (including United States Patent 3,005,282, titled “Toy Building Brick,” filed on January 28, 1958 and issued in October 1961) and enjoyed these rights until the patents expired in the 1980s (the last of their basic patents expired in 1989). *See id.*

Other toy manufacturers have since offered construction bricks with cylindrical studs as a key functional component in their respective toy systems. Appx673. These competitor products include MEGA BLOKS (acquired by Mattel), KRE-O (acquired by Hasbro), BLOCKTECH, BRICTEC, BLOKKO, and others (collectively, “Competitor Bricks”). *Id.*

Following expiration of its brick patents, LEGO has sought to maintain a monopoly, stifle competition, maintain high prices, and eliminate customer choices by asserting other alleged intellectual property rights, including trademarks, trade dress, copyrights, and design patents. In one of the first actions in which LEGO sought trademark protection for the brick design, *Tyco Industries, Inc. v. LEGO Systems, Inc.*, No. CIV. 84-3201 (GEB), 1987 WL 44363, at \*20 (D.N.J. Aug. 26, 1987), *aff’d*, 853 F.2d 921 (3d Cir. 1988), the court found that the LEGO block is “wholly functional” and denied trademark protection on that basis. The *Tyco* court specifically referenced the functionality of the cylindrical studs on the brick

surface in cooperation with the tubes on the bottom of the brick. *Tyco Indus., Inc.*, 1987 WL 44363, at \*20.

Decades after LEGO's modified brick patents expired, ZURU entered the construction brick market. Appx670. ZURU developed its own construction bricks that it sold in sets under its MAX Build More name with a large stylized "MAX" in bold white lettering together with the "ZURU" name and the primary red, yellow, and black colors historically used by ZURU superimposed over a generic and functional red brick outline. *Id.* The color scheme, especially yellow and red, have been part of ZURU's history and company branding from the beginning. *Id.*

ZURU also developed its own distinctive line of action figures to be used with its MAX Build More construction bricks and other generic bricks. Appx670-671. ZURU developed its bricks and action figures to provide the construction toy segment with high quality, innovative products at a consumer-friendly price point. *Id.*; *see also* Appx1263, Appx1269-1271, Appx1275, Appx1278. ZURU's approach to building market share for its bricks and action figures is, and has been, to build on ZURU's reputation as a high-quality innovative toy manufacturer with a strong value proposition for an underserved spot in the market—value conscious buyers, both retailers and end consumers, who value high quality at affordable prices. *Id.*

Rare in value product marketing, ZURU spent an extraordinary amount of effort and money, approximately 5% of revenues for the product, marketing the MAX Build More product line as a value buy in a distinct and conscious effort to promote filling the market void and differentiating the product line from LEGO's higher-priced product line. Appx671-672. In targeting the value-conscious consumer, ZURU sought to satisfy the unmet demand for high quality products at more affordable prices. *Id.*

ZURU's marketing approach, including its large, distinct MAX logo and its targeted advertisements and marketing promotions emphasizing the MAX name and the unique value proposition provided by the MAX Build More product line, make clear ZURU's intent to differentiate itself and the MAX Build More product line from LEGO and its products. Appx671-672, Appx1275-1280, Appx1367-1368, Appx1840-1841, Appx1843. ZURU identified an underserved market demand and developed its approach to fill that void with high quality product. Appx670-671, Appx1275-1280, Appx1367-1368, Appx1840-1841, Appx1843.

Many other toy companies and brands (including MEGA BLOKS, KRE-O, BLOCKTECH, BRICTEC, and BLOKKO) have offered and continue to offer their own toy figures for use in construction play and as collectibles. Appx1271, Appx1283-1286, Appx1808.



## **Procedural History**

On December 13, 2018, LEGO filed a complaint against ZURU, alleging that ZURU's MAX Build More and MAYKA Toy Block Tape construction toy lines (the "Allegedly Infringing Products") infringed upon certain of LEGO's purported intellectual property rights. Appx129-182. LEGO asserted various federal and state claims, including copyright infringement, trademark infringement, false designation of origin, unfair competition, trade dress infringement, misappropriation, design patent infringement, and violation of the Connecticut Unfair Trade Practices Act. Appx175-189.

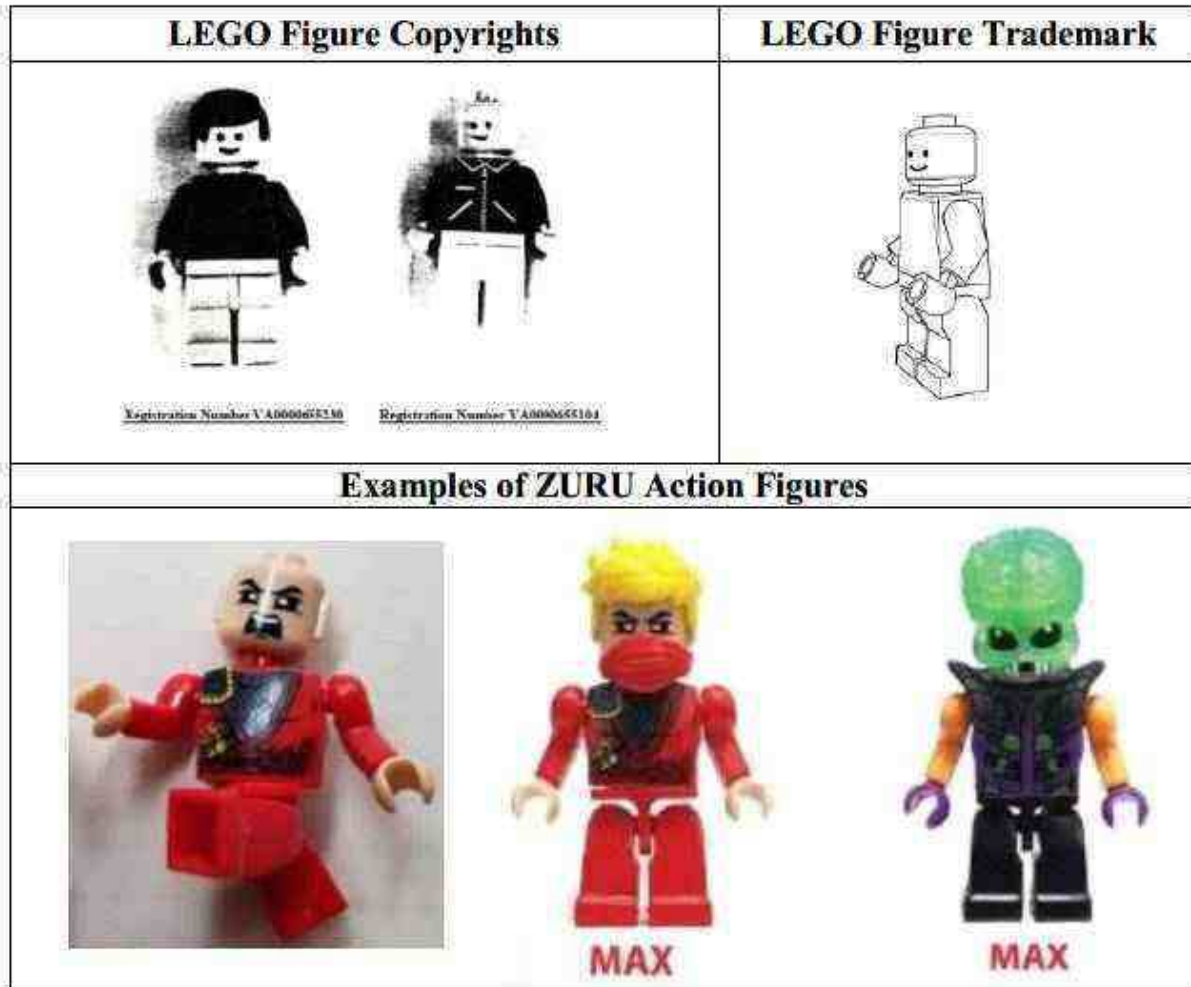
With its Complaint, and in the middle of the Christmas shopping season, LEGO filed a motion for a temporary restraining order and preliminary injunction directed to a subset of LEGO's claims from its Complaint. Appx307-310.

First, LEGO sought to enjoin ZURU's MAX Build More action figures ("ZURU Action Figures") for alleged copyright and trademark infringement. Specifically, LEGO asserted in its TRO and PI Motion that the ZURU Action Figures infringe:

(i) LEGO's registered copyrights VA 655-104 for "figures with jackets, helmets or crash helmets" (Appx1623-1630) and VA 655-230 for a "Figure with Brown Hair" (Appx1614-1622) (collectively, the "LEGO Figure Copyrights"), and

(ii) LEGO's trade-dress rights in a toy product configuration set forth in U.S. Trademark Registration 4,903,968, depicted in a single image (reproduced in the chart below), and described as "a three-dimensional configuration of a toy figure featuring a cylindrical head, on top of a cylindrical neck, on top of a trapezoidal torso of uniform thickness, with flat sides and a flat back, where arms are mounted slightly below the upper surface of the torso, on top of a rectangular plate, on top of legs which bulge frontwards at the top and are otherwise rectangular with uniform thickness, on top of flat square feet" (Appx200) (the "LEGO Figure Trademark").

Appx322-328. The LEGO Figure Copyrights and the LEGO Figure Trademark are shown in the following table, followed by examples of ZURU Action Figures.


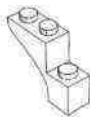
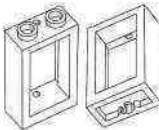



Second, LEGO sought to enjoin ZURU’s MAX Build More brick sets, claiming that three of the several dozen kinds of bricks in those sets infringe design patents that LEGO obtained for a few basic kinds of toy bricks<sup>1</sup>, specifically:

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<sup>1</sup> Initially, LEGO also sought preliminary injunctive relief for its claim that one of the ZURU MAX Build More bricks infringed U.S. Design Patent No. D701,923S (“the ‘923 Patent”). Appx329-332. After ZURU argued that the ‘923 Patent is invalid as both functional and obvious and identified a LEGO prior art brick that was on sale as early as October 2011—more than one year before the priority date (Appx639-647), Plaintiffs “withdr[e]w” the ‘923 Patent from its motion, vaguely claiming that it was “currently investigating” (Appx1054 n.11.).

(i) U.S. Patent No. D688,328S (“the ‘328 Patent”), issued August 20, 2013,  
 (ii) U.S. Patent No. D641,053S (“the ‘053 Patent”), issued July 5, 2011, and  
 (iii) U.S. Patent No. D614,707S (“the ‘707 Patent”), issued April 27, 2010  
 (collectively the “Asserted Patents.”). Appx328-334. The table below shows the  
 Asserted Patents and an example of ZURU’s MAX Build More sets.

			
<b>LEGO’s ‘328 Patent</b>	<b>LEGO’s ‘053 Patent</b>	<b>LEGO’s ‘707 Patent</b>	<b>ZURU’s MAX Build More Set</b>

Third, LEGO sought to enjoin ZURU’s MAYKA Toy Block Tape, claiming that an image on that product’s packaging (“MAYKA Package Image”) infringes LEGO’s registered copyright VA 1-876-378 for a “Figure with Skirt” (the “Figure with Skirt Copyright”).<sup>2</sup> Appx335-340. The following is a picture of the accused MAYKA Toy Block Tape packaging next to an enlargement of the MAYKA Package Image (Appx163, Appx339), followed by the images deposited with LEGO’s Figure with Skirt Copyright (Appx282-290).

<sup>2</sup> LEGO appeared to focus on the Figure with Skirt Copyright, but also asserted (i) VA 1-876-291 for a “Figure with capri pants”, (ii) VA 1-876-279 for a “Figure with rolled shorts”, and (iii) VA 1-876-373 for a “Figure with Tiered Skirt” in the Complaint (“Other Friends Copyrights”) (together with the Figure with Skirt Copyright, the “Friends Copyrights”). Appx336, Appx364-366.

**MAYKA Toy Block Tape Packaging**

**ZURU's MAYKA Packaging Image**



**LEGO's Figure with Skirt Copyright**



On December 14, 2018, after a brief hearing, the district court granted LEGO's TRO motion and entered the TRO exactly as proposed by LEGO. *See* Appx1-3, Appx87 (Dkt. No. 21). The TRO effectively stopped ZURU from manufacturing or selling any of the allegedly infringing products. Appx1-3. LEGO then engaged in a campaign to harm ZURU's business by misrepresenting

the TRO as a recall and improperly informing ZURU's worldwide retailers that the TRO requires them to remove ZURU's products from their stores and websites.

*See* Appx675-678 (¶¶ 14-20).

The district court later held a Preliminary Injunction hearing (Appx90 (Dkt. Nos. 54, 56)), but unreasonably delayed ruling on the PI Motion while keeping the TRO in place (Appx1589-1596). On June 1, 2019, ZURU moved to vacate the TRO. *Id.* The district court responded with an email indicating that it would be issuing a ruling on the PI Motion within two weeks. As that time period expired, the district court indicated its ruling would be further delayed. On July 8, 2019, the district court finally issued its ruling on the PI Motion, granted the PI, and set the injunction bond amount at only \$25,000. Appx1-3. The next day, ZURU noticed this appeal (Appx1600-1601) and filed an emergency motion in the district court to stay the preliminary injunction (Appx1602-1612).

ZURU has already lost millions of dollars of sales, and suffered irreparable harm to its long-standing, exceptional relationships with leading toy retailers, including the loss of shelf space and trust, which will continue if the Preliminary Injunction remains in place. *See* Appx675-676 (¶¶ 15-16).

## SUMMARY OF ARGUMENT

The district court abused its discretion in granting a preliminary injunction against the ZURU Action Figures in three ways. First, the district court made errors of law and a clearly erroneous assessment of the evidence when determining that LEGO would be irreparably harmed absent a preliminary injunction directed to the ZURU Action Figures when LEGO offered no evidence of any actual, imminent, irreparable injury. Second, the district court relied on its erroneous irreparable harm analysis and improperly disregarded the hardship to ZURU when it concluded that the balance of hardship tilts in LEGO's favor. Third, applying an erroneous view of the law when assessing LEGO's likelihood of success on the merits, the district court improperly relied on comparisons of the ZURU Action Figures to current unregistered LEGO product designs and configurations. The district court also relied on incorrect comparisons that failed to account for the obvious design differences. Each of these errors independently renders the district court's injunction an abuse of discretion.

The district court also abused its discretion in granting a preliminary injunction against the MAX Build More bricks and MAYKA Packaging Image because, in each case, the district court erroneously concluded that LEGO would likely suffer irreparable harm without the injunction despite no evidence of any actual, imminent, and irreparable injury to LEGO. The district court's injunction

against the MAYKA Packaging Image was also an abuse of discretion because when assessing LEGO's likelihood of success, the court again improperly compared the supposedly infringing image to current LEGO products, not the asserted and registered copyrights. Again, even if such a comparison was proper, it was made incorrectly.

The district court erred in setting the injunction bond at a nominal amount of \$25,000, despite evidence that the injunction would cause ZURU millions of dollars in lost sales.

### **STANDARD OF REVIEW**

To obtain a preliminary injunction, a party must establish “that [it] is likely to succeed on the merits, that [it] is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an injunction is in the public interest.” *Luminara Worldwide, LLC v. Liown Elecs. Co.*, 814 F.3d 1343, 1352 (Fed. Cir. 2016) (quoting *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008)).

When reviewing the grant of a preliminary injunction as to alleged trademark or copyright infringement, legal issues over which it does not have exclusive subject matter jurisdiction, this Court applies the law of the regional circuit. *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1359 (Fed. Cir. 2003) (“we defer to the law of the Eleventh Circuit in reviewing the district



court's denial of Acushnet's motion for preliminary injunctive relief from the alleged trademark infringement"); *Atari Games Corp. v. Nintendo of Am. Inc.*, 975 F.2d 832, 837 (Fed. Cir. 1992) (applying Ninth Circuit standard of review to grant of preliminary injunction barring use of copyright). The Second Circuit reviews a district court's decision to grant a preliminary injunction for abuse of discretion. *Oneida Nation of New York v. Cuomo*, 645 F.3d 154, 164 (2d Cir. 2011).

A district court has necessarily abused its discretion when it has ““(1) based its ruling on an erroneous view of the law, (2) made a clearly erroneous assessment of the evidence, or (3) rendered a decision that cannot be located within the range of permissible decisions.”” *Id.* (quoting *Lynch v. City of New York*, 589 F.3d 94, 99 (2d Cir. 2009)). “Under abuse of discretion review, the factual findings and legal conclusions underlying the district court's decision are ‘evaluated under the clearly erroneous and *de novo* standards, respectively.’” *Id.* (quoting *Garcia v. Yonkers Sch. Dist.*, 561 F.3d 97, 103 (2d Cir. 2009)).

A district court's determination on the question of substantial similarity for a copyright infringement claim is subject to *de novo* review. *Gaito Architecture, LLC v. Simone Dev. Corp.*, 602 F.3d 57, 66, 68 (2d Cir. 2010). Similarly, the determination on the question of likely confusion for a trademark infringement claim is subject to *de novo* review, while the findings on individual factors considered for that question are subject to the clearly erroneous standard. *Bristol-*

*Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1043-44 (2d. Cir. 1992).

When reviewing the grant of a preliminary injunction as to alleged patent infringement, this Court applies its own precedents. *Revision Military, Inc. v. Balboa Mfg. Co.*, 700 F.3d 524, 525 (Fed. Cir. 2012) (“[A] preliminary injunction enjoining patent infringement pursuant to 35 U.S.C. § 283 involves substantive matters unique to patent law and, therefore, is governed by the law of this court.”) (quotation and citation omitted). Like the Second Circuit, this Court reviews a district court’s decision granting a motion for preliminary injunction under an abuse of discretion standard. *Luminara Worldwide*, 814 F.3d at 1351-52. An abuse of discretion has occurred when “the court made a clear error of judgment in weighing relevant factors or exercised its discretion based upon an error of law or clearly erroneous factual findings.” *Erico Int’l Corp. v. Vutec Corp.*, 516 F.3d 1350, 1353 (Fed. Cir. 2008) (quoting *Novo Nordisk of N. Am., Inc. v. Genentech, Inc.*, 77 F.3d 1364, 1367 (Fed. Cir. 1996)).

The amount set for a preliminary injunction bond is reviewed for abuse of discretion. *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1385 (Fed. Cir. 2006) (citing *Doctor’s Assocs., Inc. v. Distajo*, 107 F.3d 126, 136 (2d Cir. 1997)).

## ARGUMENT

### I. THE DISTRICT COURT ABUSED ITS DISCRETION IN GRANTING A PRELIMINARY INJUNCTION FOR LEGO'S COPYRIGHT AND TRADEMARK CLAIMS AGAINST THE ZURU ACTION FIGURES

#### A. The District Court Erroneously Determined That LEGO Would Likely Suffer Irreparable Harm Absent A Preliminary Injunction

1. The district court's determination that LEGO would likely suffer irreparable harm from alleged copyright infringement by the ZURU Action Figures is a clearly erroneous assessment of the evidence.

Under Second Circuit law, a “court may issue [a preliminary] injunction *only* if the plaintiff has demonstrated ‘that he is likely to suffer irreparable injury in the absence of an injunction.’” *Salinger v. Colting*, 607 F.3d 68, 79-82 (2d Cir. 2009) (emphasis added). To satisfy the irreparable harm requirement, “[p]laintiffs must demonstrate that absent a preliminary injunction they will suffer an injury that is neither remote nor speculative, *but actual and imminent*, and one that cannot be remedied if a court waits until the end of trial to resolve the harm.” *Grand River Enter. Six Nations, Ltd. v. Pryor*, 481 F.3d 60, 66 (2d Cir. 2007) (internal quotation marks omitted) (emphasis added). As even LEGO acknowledged below, this requires evidence. Appx380 (“[a] party seeking injunctive relief *must present evidence* that it is likely to suffer irreparable harm.”) (citing *Salinger*, 607 F.3d at 79-82) (emphasis added).

The district court baldly asserted that LEGO would lose goodwill and have its reputation damaged without an injunction. Appx45. The district court appears to have relied on the theoretical musings of LEGO's Vice-President of Amazon Marketing and Commerce David Buxbaum concerning how the supposed "inferior" nature of ZURU products will irreparably harm LEGO's reputation. But Buxbaum's own words show that LEGO's theory of harm is entirely speculative and remote:

***"[I]f we have products that are not delivering our quality of play experience in their [consumer's] hands, they are less likely to ever come into the LEGO brand or that category of toys. And secondly, the reason that's significant is that many of these kids will become parents themselves, and we're a generational toy. We've been in the market a very long time, and it's in many ways almost a rite of passage that one generation exposes the next generation to our products. So if you have a child that has a poor experience and they never start playing with LEGO [brand products], then they are probably not going to be introducing that to their children. So we don't just lose that one person's engagement in our brand, we lose potentially generations of that. And when you apply that to any scale that is incredibly bad for the long-term health of our brand."***

Appx43 (emphasis added). There is no legally valid interpretation of the "actual and imminent" standard for irreparable harm that includes a theoretical possibility of injury from a child of today growing up, having kids of her own, and not introducing those kids to LEGO brand products. *Grand River Enter. Six Nations, Ltd.*, 481 F.3d at 66 (internal quotation marks omitted) ("To satisfy the irreparable

harm requirement, [p]laintiffs must demonstrate that absent a preliminary injunction they will suffer an injury that is neither remote nor speculative, but actual and imminent, and one that cannot be remedied if a court waits until the end of trial to resolve the harm.”); *JSG Trading Corp. v. Tray–Wrap, Inc.*, 917 F.2d 75, 80 (2d Cir. 1990) (denying preliminary injunction based on “a remote and speculative possibility of future harm rather than the imminent likelihood of injury”); *Rodriguez v. DeBuono*, 175 F.3d 227, 234 (2d Cir. 1999).

The district court asserted—without explanation or citation—that “there is an evidentiary basis beyond Buxbaum’s own observations for his conclusion that the MAX Build More products are inferior.” Appx44. But the district court failed to identify that evidentiary basis—likely because there is no such basis. LEGO offered no evidence supporting the assumption—that a child might have such a poor experience with ZURU products that they never play with LEGO products—on which Buxbaum’s theory of harm relies.

Instead, the court relied on a single social media review of ZURU’s products that gives the ZURU product four out of five stars and raves “Awesome set my boys love them.” Appx27, Appx 360, Appx1744. That social media review in no way establishes that the ZURU product is inferior, but instead shows that the opposite is true, contradicting the entire premise of LEGO’s irreparable harm argument. Indeed, ZURU’s strong reputation in the industry, including for its

quality, has allowed ZURU to achieve the toy company gold standard of having a licensing relationship with the demanding Walt Disney Company. Appx1364-1365.

The district court also referred to a chart, not offered into evidence, showing that LEGO exists in a stratosphere by itself in terms of toy brand equity. Appx43; *see also* Appx1385-1386, Appx1402. The district court noted that LEGO built up this brand equity through its “reputation ‘and a lot of hardwork,’” and thus had “the largest amount of brand equity to lose.” Appx43-44. But the district court cited no record evidence—as there is none—tying LEGO’s brand equity position to the LEGO Figure Copyrights. And, in any event, evidence that LEGO is far ahead of all others in brand equity does not equate to evidence of actual and imminent harm to LEGO from alleged copyright infringement that could not be remedied after trial.

Finally, the district court found that “selling products that infringe on the LEGO Group’s copyrights would allow *ZURU Inc.* to increase its sales and market share, and would also enable [*ZURU Inc.*] to establish relationships with customers for whom the LEGO Group competes.” Appx45 (emphasis added). Increased sales and market share for ZURU would be a benefit to *ZURU*, not an injury to *LEGO*. There was no evidence that such sales or market share would be at LEGO’s expense. To the contrary, LEGO’s witness admitted that sales of

ZURU's MAX Build More products would have only a "marginal impact" on LEGO because such lower-priced products tend to eat share from one another and not from the much more expensive LEGO products.<sup>3</sup> Appx1248.

LEGO also offered no evidence of any specific customers with whom ZURU would establish new relationships in the absence of an injunction. The pre-injunction status quo that injunctive relief is intended to preserve includes ZURU already having a relationship with Wal-Mart. Appx1269-1270, Appx1275. That status quo has been disrupted by the harm to ZURU's customer relationships caused by the TRO, and by the added harm being caused to those relationships by the Preliminary Injunction. Appx1289-1296; *see also* Appx1389-1394.

Thus, the actual record evidence shows that LEGO will not be irreparably harmed. The district court's erroneous assessment of the evidence in its irreparable harm analysis renders the district court's preliminary injunction as to alleged copyright infringement by the ZURU Action Figures an abuse of discretion.

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<sup>3</sup> LEGO's witness also testified that LEGO had no studies or research projects regarding the MAX Build More products or their impact on LEGO. Appx1248.

**2. The district court erred as a matter of law when it presumed irreparable harm for LEGO's claim that the ZURU Action Figures infringe the LEGO Figure Trademark.**

In evaluating the likelihood that LEGO would suffer irreparable harm in the absence of a preliminary injunction due to alleged trademark infringement by the ZURU Action Figures, the district court, relying on pre-*eBay* and pre-*Salinger* opinions, disregarded the Second Circuit's clear direction and departed from its own precedent by presuming irreparable harm. Appx41-42. This is legal error.

As the Second Circuit recognized in *Salinger*: "After *eBay* . . . courts must not simply presume irreparable harm. Rather, plaintiffs must show that, on the facts of their case, the failure to issue an injunction would actually cause irreparable harm." 607 F.3d at 82 (citing *eBay*, 547 U.S. at 393). The Second Circuit went on to explain:

*eBay*'s central lesson is that, unless Congress intended a "major departure from the long tradition of equity practice," a court deciding whether to issue an injunction must not adopt "categorical" or "general" rules or presume that a party has met an element of the injunction standard. Therefore, although today we are not called upon to extend *eBay* beyond the context of copyright cases, we see no reason that *eBay* would not apply with equal force to an injunction in any type of case.

607 F.3d at n.7 (internal citations omitted). And as the court below previously recognized in another case:



It would be illogical if trademark was the only intellectual property regime holding harm inherent in a prima facie case of infringement. Therefore, this Court will follow the Second Circuit's prescription that the traditional principles of equity it employed are the presumptive standard for injunctions in any context, and require Defendant to prove irreparable harm before granting its motion.

*People's United Bank v. Peoplesbank*, No. 3:08CV01858(PCD), 2010 WL 2521069, at \*3 (D. Conn. June 17, 2010) (internal citations and quotations omitted), *aff'd*, 401 F. App'x 607 (2d Cir. 2010).

Given that there was no evidence of actual and imminent irreparable harm to LEGO from the alleged infringement of the LEGO Friends Trademark by the ZURU Action Figures, the district court failed to follow its own precedent and the Second Circuit's explicit prescription that a party seeking a preliminary injunction must prove irreparable harm.

Given the district court's errors of law in its irreparable harm analysis, the district court abused its discretion in granting a preliminary injunction against the ZURU Action Figures.

**B. The District Court Erred By Concluding The Balance Of Hardships Tilts In Lego's Favor**

The district court compounded its erroneous irreparable harm analysis by relying on the same for its balance of hardship conclusion. Appx45-46. The actual evidence submitted by the parties shows that the balance of hardships tilts strongly in ZURU's favor.

LEGO continues to be the 800-pound gorilla in the toy industry. *See* Appx1248-1249, Appx1363-1364, Appx 1385-1387, Appx1392-1396. LEGO admitted that ZURU's sales do not take market share from LEGO, and that it did not even bother to study the impact of ZURU's products. Appx1248. Instead, LEGO offered only an unsupported theory of possible injury a generation away into the future. *See supra* 21-22.

ZURU, however, has and will continue to suffer *actual* irreparable harm in the present. As this Court has recognized, “[t]he hardship on a preliminarily enjoined manufacturer who must withdraw its product from the market before trial can be devastating.” *Illinois Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 683 (Fed. Cir. 1990); *see also Am. Cyanamid Co. v. U.S. Surgical Corp.*, 833 F. Supp. 92, 133 (D. Conn. 1992) (denying preliminary injunction in patent case against company that entered market dominated by two competitors).

Indeed, ZURU has already lost millions of dollars in sales because of the court's TRO, and stands to lose more than \$10 million in 2019 if the injunction continues. Appx1289-1291. And it is ZURU, not LEGO, that has had its current and potential future relationships with retailers damaged. Appx1289-1296; *see also* Appx1389-1394. Those relationships likely will further deteriorate if the Preliminary Injunction stands. *Id.*

Because ZURU has been unable to sell its products under the TRO, the terms of which were further extended by this preliminary injunction, ZURU is not only losing sales, but valuable shelf space and relationship equity with customers. Appx1289-1296. A merchant can never lose shelf space without suffering crucial harm. Appx1389-1392. Shelf space is planned far in advance, and is a prized commodity. *Id.* Because of this, retailers will not risk empty shelves by committing space to a manufacturer that is unable to fulfill its orders. *Id.* ZURU's loss of shelf space is a loss of a pipeline to place not only the products at issue in this case, but future products. *Id.*

A comparison of ZURU's pre-injunction shelf space to LEGO's shows how ZURU is no threat to LEGO even if ZURU could return to its pre-injunction shelf space levels. Whereas ZURU's MAX Build More products had only 16 feet of linear space per Wal-Mart store, LEGO has approximately 548 linear feet of space per Wal-Mart store—more than thirty times the space that ZURU had. Appx1386-1388. And whereas there had been approximately 72 units of ZURU's MAX Build More products on display in a Wal-Mart store, LEGO has approximately 20,000 units of product on display in Wal-Mart store—more than 275 times the number of MAX Build More products on display. *Id.*

The district court dismissed these hardships to ZURU as arising from ZURU's "own deliberate acts of infringement." Appx46. However, in the *WPIX*,

*Inc. v. ivi, Inc.* case on which the district court relied, it was “*undisputed* that [the plaintiffs] own valid copyrights and that [the defendant] is making public performances of [the plaintiffs’] works without [the plaintiffs’] consent.” 765 F. Supp. 2d 594, 601 (S.D.N.Y. 2011) (emphasis added). Here, ZURU vigorously challenges, among other things, infringement and validity of the asserted rights. *See, e.g.*, Appx529-585, Appx592-668, Appx1119-1133, Appx 1136-1180, Appx1578, Appx1589-1596. Further, as discussed below, the district court’s conclusion that LEGO is likely to succeed on its claims of copyright and trademark infringement is based on errors of law and clearly erroneous assessments of the evidence.

The district court’s balance of hardship analysis is based on a clearly erroneous assessment of the evidence and provides another, independent basis to find that the district court abused its discretion when it granted a preliminary injunction against the ZURU Action Figures.

**C. The District Court Legally Erred And Made Clearly Erroneous Findings When It Determined That Lego Is Likely To Succeed On The Merits Of Its Copyright and Trademark Claims Against The ZURU Action Figures.**

The district court’s conclusion that LEGO is likely to succeed on the merits of its copyright and trademark claims against the ZURU Action Figures suffers from legal errors regarding the scope of intellectual property protections—going

beyond what the law allows and beyond even the alleged rights asserted by LEGO in its Preliminary Injunction Motion—that led the court to a faulty analytical method for determining likelihood of success on the merits. The court then exacerbated the legal errors by making clearly erroneous factual findings.

- 1. The district court’s determination that LEGO is likely to succeed on the merits of its claim that the ZURU Action Figures infringe the LEGO Figure Copyrights is the result of legal error and clearly erroneous findings.**

The district court’s analysis of LEGO’s likelihood of success on its copyright claim against the ZURU Action figures was fundamentally flawed because the court improperly relied on comparisons of the allegedly infringing ZURU Action Figures to LEGO figures for which LEGO does not have registered copyright protection. And even assuming the court’s legally invalid approach were acceptable, the court made clearly erroneous factual findings because the ZURU Action Figure designs are different and distinct from the unregistered LEGO product designs and the LEGO’s asserted copyrights and trademark.

- a. The district court’s decision improperly relied on a comparison of the allegedly infringing figures to products over which LEGO does not have registered copyright protection.**

The Supreme Court recently confirmed that a claim for infringement of a copyright may not be brought until the Copyright Office has registered the copyright. *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 139 S. Ct.

881, 886 (2019). Thus, “the illegal copying prong [of the copyright infringement test] may only be satisfied by reference to the *registered* work.” *Well-Made Toy Mfg. Corp. v. Goffa Int’l. Corp.*, 210 F. Supp. 2d 147, 167 (E.D.N.Y. 2002) *aff’d* 354 F.3d 112, 116 (2d Cir. 2003) (abrogated on other grounds *by Reed Elsevier Inc. v. Muchnick*, 559 U.S. 154 (2010)); *Lewinson v. Henry Holt & Co, LLC*, 659 F. Supp. 2d 547, 562 (S.D.N.Y. 2009) (asserting that “a court cannot compare the allegedly infringing work with the unregistered derivative work to determine whether copyright infringement has occurred”) (citing *Well-Made Toy Mfg. Corp.*, 354 F.3d at 116); *see also Jacino v. Illinois Tool Works Inc.*, 16-Civ-1704, 2017 WL 4480752 at \*3 (E.D.N.Y. Oct. 6, 2017) (holding that a derivative work cannot be considered for purposes of infringement of the original work despite the derivative work being subject to a registered copyright because only the copyright for the original work had been asserted).

The district court improperly relied on LEGO figures other than those for which LEGO has registered copyrights. The court’s decision relied on LEGO expert witness Knight’s testimony in which she compared photos of figures as shown in her declaration (Appx1110-1111 (reproduced below)) and to physical figures in shown in photos of Plaintiffs’ Exhibit 1 (Appx1613) and Defendant’s Exhibit JJJ (Appx1842) from the Preliminary Injunction Hearing.

**Figure Image Comparison**



<p><b>LEGO’s Figure Copyright Registration VA0000655230  (“Figure with Brown Hair”)</b></p>	<p><b>A LEGO Minifigure relied on by the court, but not the subject of a registered copyright</b></p>	<p><b>A ZURU Action Figure compared against the unregistered LEGO Minifigure</b></p>
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**Photos of Preliminary Injunction Hearing Physical Exhibits**



**Plaintiffs’ Ex. 1 (Appx1613)  
Assorted figures and bricks  
selected by LEGO.**



**Defendant’s Ex. JJJ (Appx1842)  
A LEGO minifigure (left) and  
a ZURU Action Figure (right)**

Importantly, Plaintiffs' Exhibit 1 and Defendants' Exhibit JJJ do not involve comparisons with LEGO's asserted registered copyrights, and thus should not have been considered by the court as evidence of copyright infringement. *Fourth Estate Public Benefit Corp.*, 139 S.Ct. at 886; *Well-Made Toy Mfg. Corp.*, 210 F. Supp. 2d at 167. Even if these additional LEGO figures could be considered derivative works of the asserted copyrights, each derivative work requires its own registration and cannot be enforced through the original copyright registration on which it is based. *Airframe Sys., Inc. v. L-3 Commc'ns Corp.*, 658 F.3d 100, 106-07 (1st Cir. 2011); *Murray Hill Publ'ns, Inc. v. ABC Commc'ns, Inc.*, 264 F.3d 622, 629-32 (6th Cir. 2001), abrogated on other grounds by *Reed Elsevier Inc. v. Muchnick*, 559 U.S. 154 (2010); *Well-Made Toy Mfg. Corp.*, 210 F. Supp. 2d at 167; *Lewinson*, 659 F. Supp. 2d at 562; *see also Jones v. Virgin Records, Ltd.*, 643 F. Supp. 1153, 1159-60 (S.D. N.Y. 1986) (both versions of work registered).

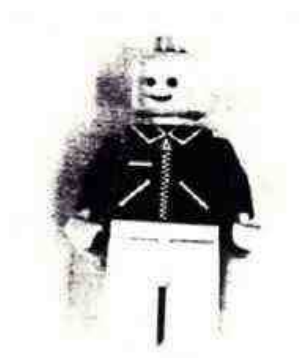
As for the side-by-side photo comparison (reproduced again below), it appears that Knight compared the middle photo to the far right photo, and that the district court relied on that comparison. Appx1445-1447. But the middle photo is not subject to an asserted copyright registration, and cannot be relied upon for copyright infringement. *Well-Made Toy Mfg. Corp.*, 210 F. Supp. 2d at 167; *Lewinson*, 659 F. Supp. 2d at 562. That leaves LEGO's registered copyright—"Figure with Brown Hair"—on the far left, and the ZURU Action Figure on the far



right.<sup>4</sup> Other than each being a small toy figure—a non-protectable idea—the LEGO Figure Copyright and the ZURU Action Figure have little in common.

		
<p><b>LEGO’s Figure Copyright Registration VA0000655230 (“Figure with Brown Hair”)</b></p>	<p><b>A LEGO Minifigure relied on by the court, but not the subject of a copyright registration</b></p>	<p><b>A ZURU Action Figure compared against the unregistered LEGO Minifigure</b></p>

<sup>4</sup> The figure in Lego’s other registered copyright, entitled “Basic Minifigures” and alternatively titled “Figures with jackets, helmets or crash helmets,” has the same aesthetic look and feel as the “Figure with Brown Hair” registered copyright, as seen here:



Registration Number VA0000655104

Appx136, Appx342. This figure has the same issues discussed for the LEGO Figure Copyright, such that ZURU Action Figures do not infringe.

The differences are even more stark when comparing the LEGO Figure Copyright to the complete version of the representative ZURU Action Figure and its available poses shown below:



- b. The court below improperly relied on a vague and general conception of similarity that did not address the specific artistic expressions and features.**

In addition to improperly extending copyright enforcement by lawsuit to non-registered material, both Ms. Knight and the district court rely on a vague concept of a similar feel between non-registered LEGO figures (as opposed to the asserted registered copyrights) and the accused ZURU Action Figures, without discussing any specific similarities in the artistic expression. *See* Appx14, Appx1447 (“They felt very much the same”). But “a general impression of similarity is not sufficient.” *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 912-13 (2d Cir. 1980); *see also Belair v. MGA Ent., Inc.*, 503 F. App’x. 65, 67 (2d

Cir. 2012). “[C]opyright protection extends only to the artistic aspects, but not the mechanical or utilitarian features, of a protected work,” and thus, the “similarity of idea or function must be distinguished from similarity of artistic expression.”

*Durham Indus.*, 630 F.2d at 913.

The LEGO Figure Copyright has the aesthetic look and feel of a submissive, stationary, right-angled robot with no personality. The representative ZURU Action Figure, on the other hand, comes to life with personality and character. It has a detailed and expressive human-like face, a kinetic body with broad and muscular shoulders, a narrower mid-section, at-the-ready arms, and active legs. It has an animated aesthetic look and feel of an aggressive fighter ready to leap into battle.



There are important differences in the specific elements of the works:

- Torso: the LEGO Figure Copyright has a distinct, wide, trapezoidal torso with uniform thickness; the ZURU Action Figure has a leaner, square torso that is tapered.
- Leg bulge: the LEGO Figure Copyright has legs that bulge forwards at the top; the ZURU Action Figure has no such bulge and instead has legs that taper at the top.
- Leg shape: the LEGO Figure Copyright has legs that, other than the top bulge, are rectangular with uniform thickness and pronounced toes; the ZURU Action Figure has tapered legs with almost no toes.
- Face: the LEGO Figure Copyright has a simple face with two black dots for eyes and a short black line for a mouth; the ZURU Action figure has a detailed, expressive face with pupils, angry arched eyebrows, and a toothy snarl.
- Ears: the LEGO Figure Copyright does not have ears; the ZURU Action Figure has ears.
- Neck: the LEGO Figure Copyright has a neck that is very thick relative to the head; the ZURU Action Figure has a neck that is thin relative to the head.

- Head size: the LEGO Figure Copyright has a small head relative to the body; the ZURU Action Figure has a large head relative to the body.
- Hair: the LEGO Figure Copyright is limited to a “Figure with Brown Hair;” the image of the Zuru Action Figure LEGO used for comparison had no hair.
- Arms: the LEGO Figure Copyright has arms that are below the upper surface of the torso, have upper portions with no defined shoulder and angle out away from the body, have noticeable rod-like wrists, and have claw-shaped hands with straight surfaces; the ZURU Action Figure has arms with muscular shoulders that rise above the upper surface of the torso, upper arm portions that angle in toward the body, no wrists, and hands with rounded surfaces.

Significant differences also exist between the ZURU Action Figure and current unregistered LEGO minifigure products. *See* Appx1811-1818 (comparing a ZURU Action Figure to the unregistered LEGO minifigure configuration selected by LEGO for comparison); *see also* Appx1842 (side by side image of a LEGO minifigure product and a ZURU Action Figure that shows the significantly different aesthetic look and expression between the shorter, wider, and more robotic looking LEGO figure and the leaner, meaner, more active and human looking ZURU Action Figure).

To the extent the ZURU figure and copyrighted figure share any similarities, they “arise from noncopyrightable elements.” *See Williams v. Crichton*, 84 F.3d 581, 588-90 (2d Cir. 1996). Both are small figures having a general human form that can be used with building blocks, but that is a general idea, not an expression of an idea, and cannot be copyrighted. *Kregos v. Associated Press*, 3 F.3d 656, 663 (2d Cir. 1993) (“[A] principle fundamental to copyright law [is that] a copyright does not protect an idea, but only the expression of an idea.”); *see also Country Kids ‘N City Slicks, Inc. v. Sheen*, 77 F.3d 1280 (10th Cir. 1996) (copyright protection does not extend to the size, shape, and medium of wooden dolls as neither the idea of a wooden doll nor the shape of a human body and standard doll poses is copyrightable).

In *Mattel, Inc. v. Azrak–Hamway Int’l, Inc.*, for example, Mattel produced and sold a copyrighted 5 1/2 inch toy figure with a muscular body and shortened legs. 724 F.2d 357, 359-360 (2d Cir. 1983). Remco used Mattel’s figure when creating its own 5 1/2 inch toy figure with a muscular body and shortened legs. *Id.* Despite the figures looking remarkably similar, including having the same pose, the Second Circuit held that the Remco figure did not infringe the Mattel copyright because the similarities were attributable to an unprotectible idea of a muscleman in a fighting pose, and that “minor” differences from the protectible expression of the pectoral, abdominal, and other musculature of the figure was sufficient to avoid

substantial similarity. *Id.*

Similarly, while the district court asserts that there are “similarities in terms of scale and proportion” (Appx15), such general similarities are not sufficient. *Belair*, 503 F. App’x. at 67 (finding no copyright infringement of two figures dressed as a devil and angel despite “exaggerated shared physical proportions characterized by large heads, eyes, and lips; small noses and waists; and longer-than-normal limbs”).

There is also no dispute that the feet and backs of the legs of the LEGO Figure Trademark are functional elements that allow the figures to be attached to building blocks and are thus not protectible by copyright. Appx17; *see also Durham Indus.*, 630 F.2d at 913.

The erroneous legal analysis used by the district court is not what copyright law requires. It would improperly extend LEGO’s registered copyrights to give LEGO a monopoly over all small human-shaped toy figurines. *See Durham Indus.*, 630 F.2d at 916 (“[O]f course, Tomy’s copyrights do not preclude others from making small, plastic wind-up dolls.”).

**2. The district court erred in concluding that LEGO is likely to succeed on the merits of its claim that ZURU’s Figures infringe the LEGO Figure Trademark.**

To prevail on a trademark infringement claim, “a plaintiff must show, first, that its mark merits protection, and, second, that the defendant’s use of a similar

mark is likely to cause consumer confusion.” *Brennan’s, Inc. v. Brennan’s Rest., L.L.C.*, 360 F.3d 125, 129-130 (2d Cir. 2004). “[I]t is not sufficient if confusion is merely possible.” *Estee Lauder, Inc. v. Gap, Inc.*, 108 F.3d 1503, 1510 (2d Cir. 1997).

Though most trademarks are words, phrases or symbols, trademark protection can extend to trade dress—product packaging and even the product configuration itself—but particular caution must be exercised when extending protection to trade designs. *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 114-15 (2d Cir. 2001) (internal quotation marks omitted). “Almost invariably, even the most unusual of product designs such as a cocktail shaker shaped like a penguin-is intended not to identify the source of the product, but to render the product itself more useful or more appealing. *Id.* citing *Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205, 209 (2000).

Thus, trade dress rights such as those claimed by LEGO here, are only protectable in specific product configurations, for specific non-functional aspects that serve as source identifiers and have acquired distinctiveness. *Wal-Mart Stores*, 529 U.S. at 216. Each element of the asserted trade dress must be clearly delineated and compared between the products, particularly when seeking protection for a product line. *Yurman Design*, 262 F.3d at 116-17; 2 *McCarthy on Trademarks and Unfair Competition* § 8:1 (5th ed.); see also *McCarthy* § 8:3



(“[D]efining the elements of the alleged trade dress is especially critical when plaintiff alleges that its product trade dress is embodied in a line of different products.”).

When addressing whether alleged infringement is likely to cause consumer confusion, courts in the Second Circuit consider the factors articulated in *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). These non-exhaustive factors include: (1) the strength of the plaintiff’s mark or dress; (2) the similarity between the two marks or dresses; (3) the proximity of the products in the marketplace; (4) the likelihood that the prior owner will bridge the gap between the products; (5) evidence of actual confusion; (6) the defendant’s bad faith; (7) the quality of defendant’s product; and (8) the sophistication of the relevant consumer group. *Playtex Prods. v. Georgia–Pacific Corp.*, 390 F.3d 158, 161-162 (2d Cir. 2004); *Polaroid Corp.*, 287 F.2d at 495.

**a. The district court erred by improperly comparing the ZURU Action Figures to various unregistered LEGO product configurations.**

The Trademark Office’s own trademark prosecution guidelines make clear that a trademark application and subsequent registration apply to a single mark—not to endless interchangeable variants of a mark. *See* Trademark Manual of Examining Procedure § 807.01; *In re Int’l Flavors & Fragrances, Inc.*, 183 F.3d 1361, 1365-66 (Fed. Cir. 1999). That is because a key function of a federal

trademark registration is to “provide notice to other users who may have interest in the mark.” *Emmpresa Cubana Del Tabaco v. Culbro Corp.*, 213 F. Supp. 2d 247, 281 (S.D.N.Y. 2002) (citing *Int’l Flavors & Fragrances, Inc.*, 183 F.3d at 1367). To “make this constructive notice meaningful, the mark, as registered, must accurately reflect the way it is used in commerce[.]” *In re Int’l Flavors & Fragrances, Inc.*, 183 F.3d at 1368.

When LEGO prosecuted the application for the LEGO Figure Trademark, LEGO was required to specifically delineate the scope of the trade dress that it sought to register, and did so by providing the following image and description:

THE MARK CONSISTS OF THE THREE-DIMENSIONAL CONFIGURATION OF A TOY FIGURE FEATURING A CYLINDRICAL HEAD, ON TOP OF A CYLINDRICAL NECK, ON TOP OF A TRAPEZOIDAL TORSO OF UNIFORM THICKNESS, WITH FLAT SIDES AND A FLAT BACK, WHERE ARMS ARE MOUNTED SLIGHTLY BELOW THE UPPER SURFACE OF THE TORSO, ON TOP OF A RECTANGULAR PLATE, ON TOP OF LEGS WHICH BULGE FRONTWARDS AT THE TOP AND ARE OTHERWISE RECTANGULAR WITH UNIFORM THICKNESS, ON TOP OF FLAT SQUARE FEET.



Appx199-201. This product configuration delineated in the LEGO Figure Trademark is the only configuration that LEGO asserted in its Complaint and in its PI Motion. Appx137-138, Appx159, Appx323 (defining “Minifigure Trademarks” as (i) the registered mark with Registration Number 4,903,968 that LEGO attached as Exhibit C to its Complaint and (ii) common law trademark rights in that same “figurine set forth in Exhibit C”), Appx349 (asserting that the “Minifigure Trademarks” cover a three-dimensional configuration of that same figure in

Exhibit C to LEGO's complaint).<sup>5</sup> And so the district court should have limited its preliminary injunction analysis to that particular configuration.

Instead, the court compared the ZURU Action Figure to various LEGO figure configurations other than the LEGO Figure Trademark. The district court then relied extensively on the side-by-side comparison of figures conducted by LEGO's expert, Knight. Appx23. In her analysis, Knight relied on a LEGO product configuration other than the configuration protected by the LEGO Figure Trademark. In the chart below, Knight appears to have relied on LEGO's red-suited Santa Claus product configuration (albeit with a different head and without the white beard and red hat<sup>6</sup>) shown in the middle. Appx620-632.

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<sup>5</sup> LEGO unmistakably defined the scope of its asserted common law trademark rights as set forth in the LEGO Figure Trademark, *i.e.*, LEGO's registered trade dress attached as Exhibit C to the Complaint. Appx138, Appx323, Appx349.

<sup>6</sup> LEGO's actual Santa Claus figure is shown in the Complaint (Appx141):



		
<p><b>LEGO’s Figure Trade Mark Reg. No. 4,903,968</b></p>	<p><b>LEGO minifigure relied on by the court and not the subject of the trademark rights at issue</b></p>	<p><b>ZURU Action Figure compared against an unasserted and unregistered LEGO minifigure</b></p>

The district court’s comparison of the ZURU Action Figures to several different LEGO product configurations other than the one configuration LEGO actually asserted—the LEGO Figure Trademark—is legally improper.

First, by improperly relying on configurations other than the LEGO Figure Trademark, the district court effectively attributed to the LEGO Figure Trademark a scope that is broader than the registered scope, defeating the notifying function of federal trademark registrations and undercutting the Trademark Office’s policy of granting just one mark per application.

Second, given each of the LEGO product configurations used by the court in its analysis differs, the court improperly extended trade dress protection to each such configuration without (i) identifying the elements of the particular configuration that comprise the trade dress, (ii) finding that those design elements

are not functional or too general, (iii) determining that the elements that comprise the trade dress actually serve as a source identifier and are not just decorative or aesthetically pleasing and (iv) requiring proof that the allegedly protectable trade dress elements have acquired distinctiveness.<sup>7</sup> *Wal-Mart Stores*, 529 U.S. at 216.

Third, the court improperly extended trade dress protection to a product line without undertaking the required analysis described above and also without the requisite finding that the set of protectable elements in each separate product within the entire line is consistent. *See Yurman Design*, 262 F.3d at 116-17.

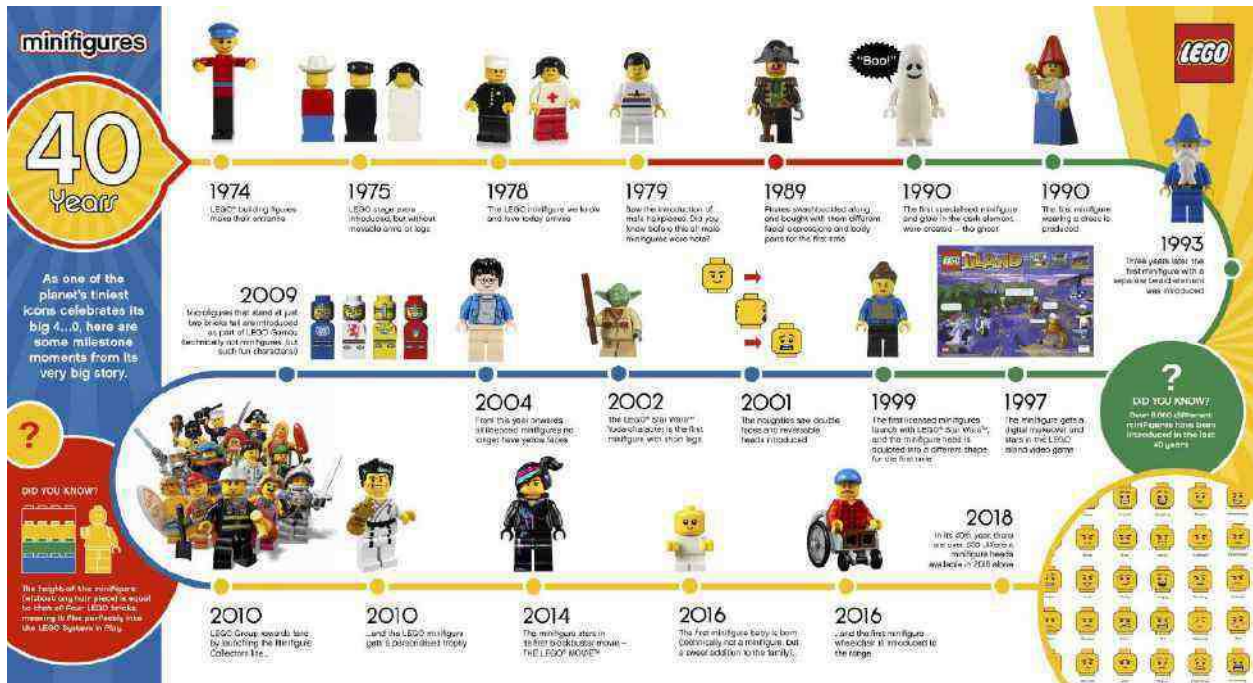
LEGO has more than 8,000 variants in its minifigure product line. Appx739, Appx748-749. Through the years LEGO has made numerous changes to its minifigure product line. *Id.* LEGO first released its minifigure product line in 1978. Appx141, Appx749. As LEGO says: “Fast forward to today and those inaugural characters have evolved nearly as much as the world around them.” Appx738.

For the first 11 years, the minifigures had heads with simple facial expressions, rendered as two solid black dots for eyes and a small curved black line for a mouth. Appx738, Appx749. In 1989, LEGO began producing minifigures in

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<sup>7</sup> It may be the case that LEGO, despite generally showing eagerness to obtain intellectual property protection, decided not to register other iterations of its figurines for the very reason that this would have required it to more specifically delineate its rights in any such applications.

a Pirate theme with different facial expressions, hooks for hands, and peg legs. *Id.* Now LEGO offers more than 650 “unique” faces. Appx739. Over the years, LEGO has also added different skin tones, head shapes, hair pieces, hats and helmets, costuming and clothing, facial hair, leg lengths, and hundreds of different accessories, including surfboards, trophies, wheelchairs, shovels and weapons, including guns, swords, clubs, bows & arrows, and lightsabers. Appx738-739, Appx749.



To the extent the district court has extended registered trade dress rights beyond the LEGO Figure Trademark to cover LEGO’s entire minifigure product line, the district court has given LEGO phantom mark protection to which LEGO is not entitled. *See In re Int’l Flavors & Fragrances, Inc.*, 183 F.3d at 1365.




**b. The district court erred in concluding that the ZURU Action Figures are likely to cause confusion.**

The district court's conclusion that LEGO is likely to succeed on the merits of its trademark infringement claim is wrong as a matter of law because the district court failed to properly assess the *Polaroid* factors. This is true regardless of whether the court compared the ZURU Action Figures to (i) LEGO's registered trade dress—the LEGO Figure Trademark—the only LEGO trade dress before the court on LEGO's PI Motion, or (ii) a selection of LEGO's unregistered products, which were not properly before the court.

**(i) The district court failed to recognize the substantial differences in key elements.**

The Second Circuit has repeatedly held that similarity of the marks is one of the most important factors in analyzing likelihood of confusion. *Guthrie Healthcare Sys. v. ContextMedia, Inc.*, 826 F.3d 27, 38 (2d Cir. 2016); *see also Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 537 (2d Cir. 2005) (similarity of the marks is “[o]f salient importance”).

The district court's finding that the similarity factor favors LEGO is clearly erroneous. Although the district court brushed it aside without discussion, ZURU showed in great detail that the significant and dominant portions of the LEGO Figure Trademark (and various other LEGO product configurations) are substantially different from those of the ZURU Action Figures:

		
<p><b>LEGO Figure Trademark</b></p>	<p><b>An unregistered LEGO Minifigure configuration selected by LEGO for comparison</b></p>	<p><b>A ZURU Action Figure selected by LEGO for comparison</b></p>

- Torso: the LEGO Figure Trademark has a distinct trapezoidal torso with uniform thickness; the ZURU Action Figure has a square torso that is tapered.
- Leg bulge: the LEGO Figure Trademark has legs that bulge forwards at the top; the ZURU Action Figure has no such bulge and instead tapers at the top.
- Leg shape: the LEGO Figure Trademark has legs that, other than the top bulge, are rectangular with uniform thickness legs and pronounced toes; the ZURU Action Figure has tapered legs with short toes.
- Faces: the LEGO Figure Trademark has a simple face with two black dots for eyes and a black line for a mouth; the ZURU Action figure



has a detailed and expressive face with pupils, angry arched eyebrows, and a toothy snarl.<sup>8</sup>

- Ears: the LEGO Figure Trademark does not have ears; the ZURU Action Figure has ears.
- Neck: the LEGO Figure Trademark has a neck that is very thick relative to the head; the ZURU Action Figure has a neck that is thin relative to the head.
- Head size: the LEGO Figure Trademark has a small head relative to the body; the ZURU Action Figure has a large head relative to the body.
- Arms: the LEGO Figure Trademark has arms that are below the upper surface of the torso, have upper portions with no defined shoulder and that angle out away from the body, have noticeable rod-like wrists, and have claw-shaped hands with straight surfaces; the ZURU Action Figure has arms with muscular shoulders that rise above the upper surface of the torso, upper arm portions that angle in toward the body, no wrists, and hand with rounded surfaces.

*See also Appx1811-1818 (showing the substantial difference between the ZURU*

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<sup>8</sup> Even the face of the middle LEGO figure above, with its beady eyes, small eyebrows, small mouth, and cheekbone marks, markedly differs from the ZURU Action Figure's large eyes with pupils, angry arched eye-brows, and toothy snarl.

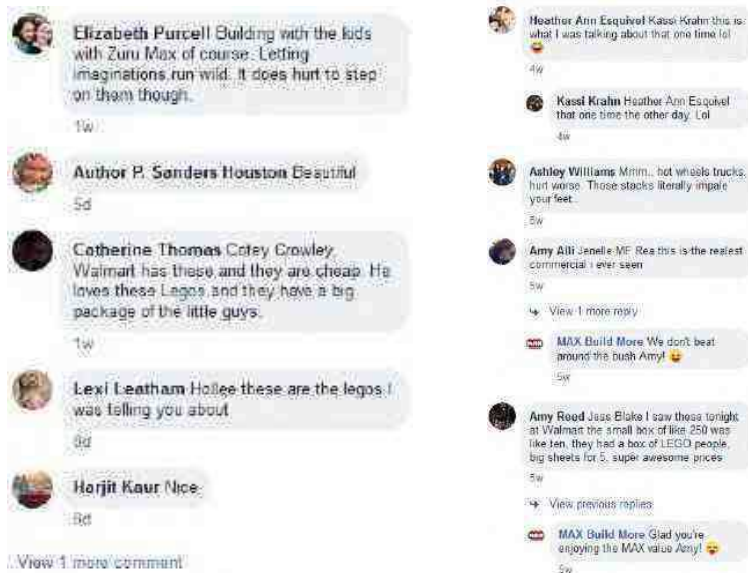
Action Figure and unregistered LEGO minifigure selected by LEGO for comparison). Indeed, Lego’s witness confirmed that the ZURU Action Figures are different from the specific delineated elements in the LEGO Figure Trademark. *E.g.*, Appx1497-1498, Appx1500-1501. She testified that the ZURU Action Figure “is not the same. It doesn’t have a bulge on the legs.” Appx1500. She further testified that the LEGO Figure Trademark requires a trapezoidal torso and a torso of uniform thickness—neither of which applies to the ZURU Action Figure—and that the torso requirements have an aesthetic purpose. Appx1496-1497.

**(ii) LEGO presented no probative evidence of actual confusion.**

Another important factor in determining likelihood of confusion is proof of actual confusion. *Alzheimer’s Disease & Related Disorders Assoc. v. Alzheimer’s Found. Of Am., Inc.*, 307 F. Supp. 3d 260, 299 (S.D.N.Y. 2018). LEGO submitted no probative evidence of actual confusion. Courts may infer the lack of actual confusion tends to show that there is no likelihood of confusion. *Daddy’s Junky Music Stores, Inc. v. Big Daddy’s Family Music Ctr.*, 109 F.3d 275, 284 (6th Cir. 1997) (“[I]solated instances of actual confusion after a significant period of time of concurrent sales or extensive advertising do not always indicate an increased likelihood of confusion and may even suggest the opposite.”)

The district court refers to purported evidence of ZURU customers using the

LEGO name in connection with ZURU’s products. In doing so, the court is referring to three comments to posts on ZURU’s social media page:



Appx355-356. These posts do not show confusion. First, there is no way to know whether the persons who posted those three comments were actually confused. Indeed, two of the commenters appear to use the term “legos” (not the actual “LEGO” brand) as a short hand, generic term for toy construction bricks. Second, those same two comments appear directed to the MAX Build More block sets, not the ZURU Action Figures. Third, for the one or two references to figures, it is not clear which figures are being referenced.

Further, ZURU received more than 46,000 comments to its posts on social media pages. Appx1288. Even assuming that these three comments did reflect actual confusion regarding the products at issue here (which is a stretch), that is not significant evidence of actual confusion. *Nora Beverages, Inc. v. Perrier Grp. of*

*Am., Inc.*, 269 F.3d 114, 123–24 (2d Cir. 2001) (two allegedly confused consumers was de minimis and did not support a finding of a likelihood of confusion for bottled water and related goods); *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 83 F.3d 169, 173 (7th Cir. 1996) (“[P]laintiff’s evidence that two consumers (out of how many thousands?) may have been misled cannot by itself be thought to create a contestable issue of likelihood of confusion”); *Petro Shopping Ctrs. L.P. v. James River Petroleum*, 130 F.3d 88, 95 (4th Cir. 1997) (“In light of its huge volume of commerce, [plaintiff’s] meager evidence of actual confusion is at best de minimis.”); *Advance Magazine Publishers, Inc. v. Norris*, 627 F. Supp. 2d 103, 121 (S.D.N.Y. 2008) (granting plaintiff summary judgment on action for declaratory judgment of non-infringement where “only two of Defendants’ four witnesses provide evidence of consumer confusion, which is insufficient to suggest actual confusion”).

In fact, given LEGO’s incentive to hunt for examples of confusion, the level of ZURU’s sales, and ZURU’s social media activity, the fact that LEGO found only one comment referring to LEGO and two others referring generally to “legos” establishes that there is no real likelihood of confusion. *See Daddy’s Junky Music Stores*, 109 F.3d at 284.

The court’s analysis also erroneously disregards important factors in the real world purchasing environment and seems to incorrectly assume that the parties’

products sit next to each other on store shelves without distinctive packaging and marks. In reality, in addition to the substantial differences in the ZURU Action Figures and the LEGO minifigure products, evidence—improperly disregarded by the district court—demonstrates that the ZURU Action Figures:

(i) come in packaging that bears the MAX Build More brand mark and other distinct packaging elements, that makes no use of the LEGO name or mark, and that includes a statement indicating that the figures are compatible with “major brands” (Appx1843; *see also* Appx139);

(ii) are marketed in advertisements and promotions that prominently show the ZURU house marks, the MAX Build More brand mark and other distinguishing visual features; that make no use of the LEGO name or mark; and that include a statement indicating that the figures are compatible with “major brands” (e.g., Appx1736-1744); and

(iii) are sold at lower prices and targeted to different consumers than LEGO products (Appx671-672, Appx1248, Appx1363-1364, Appx1381-1382).

As shown below, the ZURU Action Figures are sold in sets of 15 with the large and distinctive MAX BUILD MORE brand logo dominating the package.



Appx1843; *see also* Appx139. The term “minifigures” appears nowhere on the ZURU packaging. Nor does the “world’s most powerful brand”—LEGO®.

Instead, the packaging includes the statement “COMPATIBLE WITH MAJOR BRANDS” that makes it even more clear that it is not a LEGO product.

LEGO’s minifigure pouch packaging, on the other hand, prominently features the LEGO name and logo. Appx132. It also includes LEGO’s stylized “minifigures” word mark. *Id.* Given these and the many other obvious and extensive differences in the packaging, confusion is not likely. *See Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 828 (Fed. Cir. 1992) (prominent labelling of the packaging with the brand name and trademark logo is probative evidence

that the products are not confusingly similar) (citing *Bose Corp. v. Linear Design Labs, Inc.*, 467 F.2d 304, 310 (2d Cir. 1972)).

The district court's finding that the actual confusion factor favors LEGO is clearly erroneous.

**(iii) The finding that the bad faith factor favors LEGO is clearly erroneous.**

The district court erroneously concluded that the bad faith factor favored LEGO. Defendant's Exhibit HHH, on which the district court relies for its assertion that ZURU continues to use the LEGO name (Appx26), is not packaging for ZURU Action Figures, but for a ZURU MAX Build More brick set. The ZURU house mark and MAX BUILD MORE mark are clear and unmistakable:



Appx1840-1841. The LEGO name does not appear on the packaging for the

ZURU Action Figures (Appx1843; *see also* Appx139):



ZURU worked in good faith to legitimately increase consumer choice in the marketplace and differentiate itself from other toy sellers such as LEGO.

Appx1275-1280. ZURU took reasonable, good faith efforts to avoid confusion.

ZURU used different words, logos, and packaging, such as conspicuously displaying the MAX BUILD MORE mark, fonts, color schemes and other graphics

on packaging and ads. *See* Appx1275-1280, Appx1367-1368, Appx1840-1841,

Appx1843. And, as LEGO's witness Ms. Knight acknowledged, ZURU does not

use its figures as a source identifying logo, but instead uses its MAX BUILD

MORE brand as the source identifier. *See* Appx1519-1522.



**(iv) The finding that the LEGO Figure Mark has strong trademark protection is clearly erroneous.**

The stronger the mark, the more protection it is afforded. *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1132-33 (2d Cir. 1979). A main factor to consider regarding the strength of a trade dress mark such as the LEGO Figure Mark is the degree to which its arguably protectable elements serve as a source identifier. *Bristol-Myers Squibb Co.*, 973 F.2d at 1044; *W.W.W. Pharm. Co., Inc. v. Gillette Co.*, 984 F.2d 567, 572 (2d Cir. 1993). The “[t]est of relative strength is the distinctiveness of a mark in the perception and mind of the relevant customer group.” *McCarthy*, § 11:85.

When numerous sellers in a product line use similar product configurations, there may be little if any individual distinctiveness and consumers may have difficulty telling one seller from another. *Id.* In a crowded field of similar marks or product designs, each member of the crowd is relatively “weak.” *Id.* Several companies sell small, human-form toy figures, including MEGA BLOKS (acquired by Mattel), KRE-O (acquired by Hasbro), LOCKTECH, BRICTEC, and BLOKKO. Appx609, Appx634, Appx1276. Because the small toy figure market is crowded, the LEGO Figure Trademark is not distinctive and thus weak.<sup>9</sup>

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<sup>9</sup> LEGO claims that it is actively pursuing other manufacturers of the figures shown here, but has not presented evidence that such enforcement has been successful or valid. Indeed, a LEGO witness admitted that “you can probably




find” most of these products available for sale on the internet. Appx1245. See McCarthy § 11:85.

The presence of these many third-party products in the marketplace highlights the district court's error in effectively granting LEGO overly broad trade dress protection for the general concept of small, human-form toy figures, rather than properly limiting such protection to a specific and restricted set of design features that together serve as a source identifier (through proven acquired distinctiveness). It is clear that the crowded field of small, human-form toy figures would result in a very narrow scope of trade dress rights over any particular individual figure.

LEGO's own extensive variety of minifigure product configurations undermines the strength of the LEGO Figure Trademark asserted here. Unlike the plain and unadorned configuration of the LEGO Figure Trademark, LEGO's minifigure line includes versions of licensed characters from Star Wars, Harry Potter, Indiana Jones, and other entertainment properties; various other minifigures that are missing design elements specified in the registered LEGO Figure Trademark; and various other minifigures having designs that go far beyond the LEGO Figure Trademark registration.



Thus, the product design in the LEGO Figure Trademark itself may not even be a source identifier. It is likely that the “LEGO” name—the most powerful brand in the world—and —the “world-famous LEGO® logo”—which are prominently displayed on LEGO’s minifigure packaging, are the primary source identifiers for LEGO products. *E.g.*, Appx130-133, Appx161-162, Appx172.

**(v) The findings on the remaining factors are clearly erroneous or otherwise insignificant in the overall *Polaroid* factor analysis.**

In finding the quality factor favored LEGO, the district court relied on a *single* purported customer review on the internet and LEGO's own self-serving testimony.<sup>10</sup> Appx27. That LEGO could only find a single customer review asserting a purported quality issue with the ZURU Action Figures is not probative, particularly since the reviewer also stated: "Awesome set my boys love them!" Appx27, Appx360, Appx1744. Indeed, the presence of only one complaint about the ZURU products out of tens of thousands of online comments on social media supports the inference that ZURU's products are of very high quality. As does the willingness of companies like Disney to partner with ZURU. Appx1364-1365; *see also* Appx1275.

The district court found that the proximity factor favors LEGO after finding that "there is no difference between [ZURU and LEGO] in terms of the relevant market they target" for the products at issue, and similarly found for the bridging the gap factor that LEGO was already in the same market as ZURU. Appx24-25. But ZURU established that it targeted a lower income economically disadvantaged market for whom the premium priced LEGO products were out of reach, and

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<sup>10</sup> In a parenthetical referring to the review, the court stated that a close physical examination of the ZURU "specimens in Pls.' Ex. 1 makes it clear how this could happen," but offered no explanation. Appx27.

LEGO admitted that ZURU products do not take market share from LEGO, but from other brands in the non-premium, low-cost market. Appx1248, Appx1257-1259, Appx1263-1264, Appx1269-1270, Appx1278, Appx1388-1389, Appx1394-1395. Thus, the district court's finding is clearly erroneous or at least insignificant in the *Polaroid* factor analysis given the lack of substantial similarity and actual confusion.

Finally, in finding that the customer sophistication factor favored LEGO, the district court focused on testimony suggesting that some adults may not pay attention to the differences in the figures when quickly pulling product off the store shelves. Appx28. But the district court disregarded clear and unmistakable branding and other distinguishing graphic elements on the product packaging. *See id.*; *see also supra* at 53-57.

**(vi) In sum, LEGO is not likely to show actual confusion and the district court erred in its Polaroid factor analysis.**

The district court's ultimate conclusion that LEGO was likely to show actual confusion is based on clearly erroneous findings and wrong as a matter of law.

**II. THE DISTRICT COURT ABUSED ITS DISCRETION IN GRANTING A PRELIMINARY INJUNCTION FOR LEGO'S DESIGN PATENT CLAIMS AGAINST ZURU'S MAX BUILD MORE BRICKS**

**A. The District Court Erred In Concluding That LEGO Showed It Would Likely Suffer Irreparable Harm Without An Injunction Directed To The Alleged Patent Infringement**

LEGO claims that three of the several dozen kinds of bricks in ZURU's MAX Build More sets allegedly infringe the LEGO Design Patents. Appx6-7. The district court's erroneous conclusion that LEGO is likely to suffer irreparable harm from those is based on a LEGO executive's speculative and unsupported theory of potential harm a generation away. *Supra* at 21-22. There is no evidence that the three accused MAX Build More bricks are of poor quality or are in any way inferior to LEGO's bricks—the LEGO witness testimony and one customer comment on which the court relied was not directed to ZURU's brick sets. Appx27, Appx360, Appx1744. Nor is there any evidence linking LEGO's enormous brand equity to the LEGO Design Patents, or showing how that brand equity could possibly be threatened if a few of the 250, 235, or 759 bricks that come in the ZURU brick sets infringe the LEGO Design Patents. Thus, the district court's grant of a preliminary injunction directed to alleged design patent infringement is an abuse of discretion and should be reversed.

**B. The District Court Erred In Concluding That The Balance Of Hardships Tilt In LEGO's Favor**

LEGO offered no evidence of hardship associated with the alleged infringement of its LEGO Design Patents. And, as discussed above, the district court erred in wholly disregarding the hardship to ZURU. *Supra* at 26-29. Thus, the district court's grant of a preliminary injunction directed to alleged design patent infringement is an abuse of discretion and should be reversed.

**III. THE DISTRICT COURT ABUSED ITS DISCRETION IN GRANTING A PRELIMINARY INJUNCTION FOR LEGO'S FRIENDS COPYRIGHT CLAIMS AGAINST THE MAYKA PACKAGE IMAGE**

**A. The District Court Erred As A Matter Of Law By Not Requiring Evidence Of Actual And Imminent Irreparable Harm For LEGO's Claim That ZURU's MAYKA Package Image Infringes The LEGO Friends Copyrights.**

The district court's erroneous conclusion that LEGO is likely to suffer irreparable harm from ZURU's MAYKA Package Image is based on the same speculative and unsupported theory of potential harm a generation away. *Supra* at 21-22. There is no evidence that the MAYKA Toy Tape is lacking in quality or in any way inferior to LEGO products. The LEGO witness testimony and one customer comment on which the court relied was not directed to the MAYKA Toy Tape (Appx27, Appx360, Appx1744), and LEGO does not sell a product similar to the MAYKA Toy Tape. There is also no evidence (1) linking LEGO's enormous brand equity to the LEGO Friends Copyrights; or (2) showing how LEGO's



enormous brand equity could possibly be threatened by the MAYKA Package Image. Thus, the district court's grant of a preliminary injunction directed to alleged infringement of the Friends Copyrights is an abuse of discretion and should be reversed.

**B. The District Court Erred By Concluding The Balance Of Hardships Tilts In Lego's Favor**

The district court's balance of hardship analysis on LEGO's claim that the MAYKA Package Image infringes the LEGO Friends Copyrights suffers from the same errors as the balance of hardship analysis for LEGO's claims directed to the ZURU Action Figures and MAX Build More bricks, *supra* at 26-29, providing an additional independent basis to find that the district court's injunction directed to the MAYKA Package Image is an abuse of discretion.

**C. The District Court Erred In Concluding That LEGO Is Likely To Succeed On The Merits Of Its Claim That The Mayka Packaging Image Infringes LEGO's Friends Copyrights.**

Like its erroneous analysis of LEGO's claim of copyright infringement by the ZURU Action Figures, the district court's analysis of LEGO's claim that the Mayka Package Image infringes LEGO's Friends Copyrights improperly relied on references to a LEGO product that is not the subject of a copyright registration. Appx14-18 (comparing the unregistered "Friends" product instead of any of the registered "Friends Copyrights" (defined on Appx5) to the "Infringing Friends Image" (defined on Appx8), and referring to how the hair was similar, despite the

reality that the registered Friends Copyrights have no hair). In doing so, the district court again improperly interpreted Copyright law to give LEGO's broader intellectual property rights than the law provides.

A comparison of the Mayka Package Image (Appx339) with LEGO's Figure with Skirt Copyright (Appx282-290) shows they are not substantially similar.

**MAYKA Package Image that LEGO claims is infringing**



**LEGO's Registered Figure with Skirt Copyright**



Among the marked differences are that:

- The Friends Copyright has no ears or hair; the MAYKA Package Image has ears and hair.
- The Friends Copyright has a tapered face with proportionally sized eyes and a small line for a mouth; the MAYKA Package Image has a rounder and fuller face with much larger and more detailed eyes and a more detailed mouth.
- The Friends Copyright has a one-piece arm that includes the hand and does not bend at the elbow and extends mid-way down the skirt; the MAYKA Package Image has a three-piece arm (upper arm, lower arm, and hand) that bends at the elbow and extends down below the skirt.
- The Friends Copyright has disproportionately large wide-open claw-like hands with straight edges; the MAYKA Package Image has smaller, nearly closed, more natural looking hands with round edges.
- The Friends Copyright has small shoulders and is wearing a sleeveless shirt; the MAYKA Package Image has pronounced shoulders and is wearing a short-sleeved shirt.
- The Friends Copyright has a square shaped torso; the MAYKA Package Image has a tapered torso with more overall shaping.

Furthermore, like the LEGO Figure Copyrights, the overall aesthetic look and feel of the Figure with Skirt Copyright is robotic, inanimate, and stiff, whereas the aesthetic look and feel of the character on the MAYKA Package Image is lifelike, expressive, and active. The result is that the court improperly extended LEGO copyright protection for the overall idea of a girl, rather than for LEGO's specific expression of that idea.

The district court's erroneous conclusion that the MAYKA Package Image is substantially similar to the Figure with Skirt Copyright provides an additional independent basis to find that the district court's injunction directed to the MAYKA Package Image is an abuse of discretion and should be reversed.

#### **IV. THE DISTRICT COURT ERRED WHEN IT SET THE INJUNCTION BOND AT A NOMINAL AMOUNT OF \$25,000**

The district court erred in setting the injunction bond at the nominal amount of \$25,000, which does nothing to protect ZURU against the substantial and irreparable harm it is suffering and is dwarfed by ZURU's lost revenues. Appx3.

Fed. R. Civ. P. 65(c) requires courts to condition any injunction on the moving party giving security in an amount to protect the enjoined party's interests in the event that the injunction was issued in error. This requirement "assures the enjoined party that it may readily collect damages from the funds posted in the event that it was wrongfully enjoined, and that it may do so without further litigation." *Nokia Corp. v. InterDigital, Inc.*, 645 F.3d 553, 557 (2d Cir. 2011);

*Takeda Pharm., U.S.A., Inc. v. W.-Ward Pharm. Corp.*, No. CV 14-1268-RGA, 2018 WL 6529289, at \*6 (D. Del. Nov. 12, 2018) (granting defendants’ motion to recover damages for wrongful restraint during temporary restraining order in the amount of \$31.4 million in lost profits on \$46 million bond).

In setting the amount of security for an injunction that bars a defendant from selling its products, courts generally consider evidence of projected lost sales. *See Sanofi-Synthelabo*, 470 F.3d at 1384-85 (deeming a \$400 million bond appropriate security for a preliminary injunction enjoining a pharmaceutical company from selling a drug over which plaintiff asserted a patent because “[t]he court based its determination on evidence presented before the court that concerned [defendant’s] ‘potential lost profits, lost market share and associated costs of relaunch in the event of wrongful enjoinder.’”).

In *Am. Standard, Inc. v. Lyons Indus., Inc.*, the plaintiff suggested a \$25,000 bond for an injunction barring defendant from continuing to market and sell allegedly infringing sinks; the court held that “a \$25,000 bond is inadequate” and ordered a \$1 million bond “based on Lyons’ evidence that it would incur significant costs in complying with an injunction, including halting production as well as lost sales.” No. CIV. 97-4806, 1998 WL 35256926, \*14 (D.N.J. Feb. 17, 1998). Similarly, in *Tinnus Enterprises, LLC v. Telebrands Corp.*, the court granted a preliminary injunction barring the defendants from selling a toy that

allegedly infringed plaintiffs’ patents and ordered plaintiffs to post a \$4.25 million bond reflecting evidence of “projected lost sales” from the injunction. No. 6:17-CV-00170, 2018 WL 3455543, \*4-5 (E.D. Tex. July 16, 2018); *see also N. Star Indus., Inc. v. Douglas Dynamics, LLC*, No. CIV.A. 11-C-1103, 2012 WL 507827, at \*3 (E.D. Wis. Feb. 15, 2012) (setting bond amount at close to \$4 million for a preliminary injunction barring defendant from selling snow plows, when the defendant would lose that much in revenue from plows, parts and accessories).

Here, ZURU’s Chief Operating Officer, Anna Mowbray attested that from December 14, 2018, when the district court entered its temporary restraining order, until January 22, 2019, the date of her declaration—a period that covered the year’s busiest shopping weeks—“ZURU has lost more than \$1.4 million in sales of the Allegedly Infringing Products.” Appx675 (¶ 15). She further stated that “ZURU risks losing additional sales of \$8–10 million annually if a Preliminary Injunction is entered.” *Id.* Hence ZURU argued to the district court that “[h]ere, the issuance of any injunction would irreparably harm ZURU’s retail relationships and diminish ZURU’s sales.” Appx666-667.

The district court did not consider ZURU’s evidence of projected lost sales in the millions of dollars when it set bond in the *de minimis* amount of \$25,000. Instead, the district court based its determination on what it viewed as “the strong evidence that ZURU Inc. has infringed on the LEGO Group’s intellectual property

rights in such a variety of ways.” Appx48-49. This is not relevant to the setting of the bond. The bond is intended to protect ZURU if it was wrongfully enjoined. The court did not address Mowbray’s written testimony that ZURU had already lost \$1.4 million due to the temporary restraining order and would sustain an additional \$8 to 10 million in damages if a preliminary injunction issued. Indeed, the court made no mention at all of the damages ZURU would sustain if ZURU were “found to have been wrongfully enjoined.” Fed. R. Civ. P. 65(c).

The \$25,000 injunction bond risks irreparably harming ZURU if the preliminary injunction is not vacated and the bond is not increased to a proper amount. “[T]he damages for an erroneous preliminary injunction cannot exceed the amount of the bond.” *Mead Johnson & Co. v. Abbott Labs.*, 201 F.3d 883, 888 (7th Cir. 2000) (citing *W.R. Grace & Co. v. Rubber Workers*, 461 U.S. 757, 770 n.14, 103 S.Ct. 2177, 76 L.Ed.2d 298 (1983)). If ZURU prevails at trial it cannot collect more than the nominal \$25,000 LEGO has posted to cover its provable damages from the preliminary injunction, which by the time of trial could be \$10 million or more. ZURU will have no recourse for those losses.

*Mead Johnson* provides a cautionary tale. There, the Seventh Circuit reversed the grant of a preliminary injunction barring Abbott Laboratories from selling baby formula that allegedly bore a misleading description of fact in violation of the Lanham Act, 15 U.S.C. § 1125(a)(1). 201 F.3d at 883–84, 888.

The district court had set bond at only \$1 million, despite the fact that Abbott had requested a \$50 million bond to cover its projected losses and that even the plaintiff conceded that a loss of 1% market share due to the injunction would cost Abbott \$10 million. *Id.* at 887. In vacating the injunction the Seventh Circuit explained that Abbott, now limited to recovering on a \$1 million bond, had suffered “irreparable injury,” as “Abbott now must swallow substantial losses as a result of the district court’s decision.” *Id.* at 888. Thus the Seventh Circuit instructed that “When setting the amount of security, district courts should err on the high side.” *Id.*

In setting a \$25,000 bond that bears no relation to the evidence of ZURU’s projected lost sales the district court abused its discretion. As discussed above, this Court should vacate the preliminary injunction, but if any portion of the injunction remains in place, the district court should be directed to set bond in an amount commensurate with ZURU’s lost sales.

### **CONCLUSION**

For these reasons, ZURU respectfully requests that this Court reverse the district court’s Order granting a preliminary injunction.



Dated: July 31, 2019

By: /s/ Tami Lyn Azorsky

Tami Lyn Azorsky  
R. Tyler Goodwyn, IV  
John W. Lomas, Jr.  
DENTONS US LLP  
1900 K Street, NW  
Washington, DC 20006  
(202) 496-7183  
[tami.azorsky@dentons.com](mailto:tami.azorsky@dentons.com)  
[tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
[john.lomas@dentons.com](mailto:john.lomas@dentons.com)

*Attorneys for Defendant-Appellant  
ZURU Inc.*

# **Exhibit B**

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF CONNECTICUT

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LEGO A/S, ET AL No.3:18CV2045 (AWT)

Plaintiffs

vs.

ZURU, INC.

Defendant

HARTFORD, CONNECTICUT  
FEBRUARY 14, 2019

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**PRELIMINARY INJUNCTION HEARING**

**VOLUME I**

BEFORE:

HON. ALVIN W. THOMPSON, Senior U.S.D.J.

Corinna F. Thompson, RPR  
Official Court Reporter

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APPEARANCES:

FOR THE PLAINTIFFS:

DAY PITNEY  
242 Trumbull Street  
Hartford, Connecticut 06103  
BY: ELIZABETH ANN ALQUIST, ESQ.  
ERIC TEVELDE, ESQ.  
MELANIE JOAN RAUBESON, ESQ.

FOR THE DEFENDANTS:

STOCKMAN O'CONNOR  
10 Middle Street  
Bridgeport, Connecticut 06604  
BY: SIMON ALLENTUCH, ESQ.

DUNLAP, BENNETT & LUDWIG  
55 East Monroe Street  
Suite 3800  
Chicago, Illinois 60603  
BY: NICHOLAS A. KURTZ, ESQ

DUNLAP, BENNETT & LUDWIG  
8300 Boone Boulevard  
Suite 550  
Vienna, Virginia 22182  
BY: THOMAS M. DUNLAP, ESQ.  
CORTLAND C. PUTBRESE, ESQ.  
LAURA SEFERIAN, ESQ.

1 A. This document shows multiple mini figurines that  
2 are available in the market. I just want to note as  
3 well that I was very adamant with my team to make sure  
4 that they made it to scale so you can actually see these  
5 side-by-side to scale.

6 THE COURT: Defendant's Exhibit L is admitted.

7 MR. DUNLAP: Sorry?

8 THE COURT: Defendant's Exhibit L is admitted.

9 MR. DUNLAP: Thank you, Your Honor.

10 BY MR. DUNLAP:

11 Q. Ms. Mowbray, are you aware of any consumer  
12 confusion between ZURU products and LEGO products?

13 A. I am aware of I think I'd say maybe three comments  
14 online that refer to MAX as being LEGO. So our  
15 customers put in the wrong brand name.

16 I would like to point out as well --

17 MS. ALQUIST: Objection, Your Honor, to the  
18 commentary that goes on. There's no question pending.

19 THE COURT: Some of her answers have been a  
20 bit long.

21 BY MR. DUNLAP:

22 Q. Ms. Mowbray, are you aware of any other -- how much  
23 other customer commentary is there?

24 MS. ALQUIST: Objection, Your Honor. About  
25 the MAX product line? I don't know what the question is

1 smaller scale product than what is typical in these  
2 types of items.

3 Q. Okay. The current market, what's your  
4 understanding of the market for the construction toy  
5 figures that are at issue in this case and related  
6 construction toy figures?

7 A. I think to the average person there are just a lot  
8 of companies that are in that space with, of course,  
9 Kre-O from Hasbro, and then Mega Bloks has been around  
10 in it for a while. There's a number of them on the  
11 image I'm looking at right now that are in this space  
12 and are scaled to this size.

13 Q. What's your understanding of the current market,  
14 the financial side of these figurine toys? What's that  
15 market look like?

16 A. It's substantial. I believe I saw some figures,  
17 but I can't recall right now what they were, but that it  
18 was significant figures in this area.

19 Q. Do you have any idea of what, based on your  
20 research for this case, what LEGO's figure market is  
21 worth?

22 MS. ALQUIST: Objection, Your Honor,  
23 foundation.

24 THE COURT: He said based on his research.

25 MS. ALQUIST: On the internet?

1 MR. DUNLAP: I just said based on his  
2 research.

3 BY MR. DUNLAP:

4 Q. Did you research for this case? Did you prepare  
5 for this case?

6 A. I feel like globally all brands it was like  
7 \$5 billion, something like that.

8 MS. ALQUIST: Move to strike, Your Honor.

9 THE COURT: I'll leave it to cross.

10 BY MR. DUNLAP:

11 Q. Are there many entrants in the figurine market?

12 A. Are you talking just this minifigure?

13 Q. Yes. Are there many entrants into this minifigure  
14 construction market?

15 A. I think there's several. The major ones would be  
16 Kre-O and Mega Bloks and now ZURU.

17 Q. What about LEGO?

18 A. Well, LEGO is a very dominating part of the  
19 construction toy industry. They have -- I believe the  
20 revenue was \$5.6 billion, roughly. I compared to that I  
21 believe the Number 2 construction toy company in the  
22 world is Mega Bloks, which is about \$200 million. So  
23 they're about 20 times bigger at least than Mega Bloks.  
24 So they're very substantial.

25 Q. How is LEGO perceived in the industry?

1 A. It's a high quality product, high quality company.  
2 Nice people and very sharp management team.

3 Q. What about the pricing?

4 A. Premium price. They get, I think because of the  
5 brand name and probably historically it was made in  
6 Europe, they command a much higher retail price for  
7 their products than other companies do in this area.

8 Q. Are you familiar with the ZURU companies?

9 A. Yes.

10 Q. Have you encountered ZURU products in the past?

11 A. Yes, I have.

12 Q. Besides the products in this case, have you  
13 encountered --

14 A. Yes. They're quite famous for their Bunch of  
15 Balloons.

16 Q. Where have you encountered ZURU products?

17 A. In stores, at trade shows, those type of industry  
18 events.

19 Q. Are you familiar with the history of ZURU?

20 A. Yes.

21 Q. Can you tell us then, in your experience in the toy  
22 industry, how is ZURU perceived?

23 A. ZURU is perceived as a quality company. I kind of  
24 measure companies based on who affiliates with them.  
25 They license quite a few products with the Walt Disney



1 Company. The Walt Disney Company controls an enormous  
2 percentage of intellectual property in the children and  
3 toy space, and because of that they're able to get very  
4 high royalties from companies. And they're extremely  
5 demanding in terms of a company's ability to design and  
6 make products that match with their standards, that  
7 they're solvent, that they have very strong financial  
8 foundation, that they have a history of shipping on  
9 time, reliably, all these sorts of things. So to me the  
10 gold standard is to be an affiliate of Walt Disney  
11 Company.

12 Q. Does that play into the quality of the products  
13 that are manufactured?

14 A. Yes. Very much so.

15 Q. Do you know where ZURU company is headquartered?

16 A. It's in China.

17 Q. Is that typical for a toy company?

18 A. Just about every toy company in the world has an  
19 office of some kind or showroom in Hong Kong.

20 The center of the global toy industry is really in  
21 Kowloon, which is on the mainland across from Hong Kong  
22 island, in an area called Tsim Sha Tsui. If you go  
23 there, particularly in January, you can see a lot of toy  
24 people walking around and visiting showrooms and hotel  
25 suites.

1 the box.

2 Q. Okay.

3 A. It's a very strong claim to the brand.

4 I think they're -- it tells me that they're proud  
5 of their brand and they want to build brand equity for  
6 the MAX product.

7 And then there's some color differentiation. But  
8 the toy industry is all about color.

9 Q. So in terms of --

10 MR. DUNLAP: Your Honor, I move in Exhibit O.

11 MS. ALQUIST: Your Honor, we had a hearsay  
12 objection to the explaining on it.

13 THE COURT: There was a hearsay objection to?

14 MR. DUNLAP: The explanation.

15 MS. ALQUIST: At the top it's not using our  
16 logo, it's changing our logo and it says differences to  
17 LEGO and MAX. We would want that part stricken.

18 MR. DUNLAP: It's not on my screen copy. No  
19 objection to having that stricken.

20 THE COURT: We'll have that redacted.

21 MS. ALQUIST: Thank you, Your Honor.

22 THE COURT: Exhibit O is admitted.

23 BY MR. DUNLAP:

24 Q. Going back to how ZURU approaches the toy market,  
25 how does ZURU's approach to consumers and what they do

1 in the toy market affect the toy market overall?

2 MS. ALQUIST: Objection, Your Honor,  
3 foundation.

4 BY MR. DUNLAP:

5 Q. As an expert in the toy industry, have you studied  
6 how various companies impact the toy market?

7 A. Yes.

8 Q. Based on those studies, how does ZURU's place in  
9 this market, how do they sit in this market?

10 MS. ALQUIST: Objection, Your Honor. He would  
11 have had to study ZURU and he didn't lay that  
12 foundation.

13 MR. DUNLAP: He said he studied the entire toy  
14 market.

15 THE COURT: I'll allow it.

16 A. ZURU is a substantial company, but in comparison to  
17 LEGO, no offense, ZURU, but you're fairly insignificant.  
18 LEGO is the largest toy company in the world by revenue.  
19 It may move into the first or second place, but it's a  
20 substantial company.

21 There's only really three toy companies that work  
22 at the kind of revenue levels that LEGO does, and that's  
23 Mattel, Hasbro and LEGO. Everybody else is  
24 substantially smaller.

25 And then the LEGO brand equity is just astonishing.

1 It's over \$7 billion. I believe the second largest  
2 brand in the toy industry was maybe a billion. So it's  
3 a very substantial company.

4 And then when I --

5 THE COURT: Sorry. I don't know what the  
6 concept of brand equity is.

7 THE WITNESS: It means that if LEGO was to  
8 decide to sell their brand --

9 THE COURT: Fine.

10 THE WITNESS: -- they could get that much  
11 money for it.

12 A. But what really struck me was there's a company  
13 called Klosters does reporting. Basically, based on the  
14 square footage -- excuse me -- the linear footage that  
15 they said was in Walmart designated strictly for LEGO, I  
16 was able to calculate it was 20,000 units. In other  
17 words, 20,000 pieces of LEGO on the shelf. And for ZURU  
18 there was approximately 72. So the disparity between  
19 the presence that LEGO has at retail and the presence  
20 that ZURU has at retail, it's hard for me to believe  
21 that it's going to have much of an impact on their  
22 revenue or their brand equity.

23 BY MR. DUNLAP:

24 Q. What percentage, when it was on the market before  
25 the TRO, of shelf space did ZURU have compared to

1 Walmart?

2 MS. ALQUIST: Objection, foundation.

3 THE COURT: You can ask him does he know.

4 A. 4 feet wide and about four shelves high.

5 BY MR. DUNLAP:

6 Q. And how many square feet did LEGO have in  
7 comparison?

8 A. Well, they had 548 linear feet, meaning that each  
9 shelf -- you count each shelf in the section lengthwise.  
10 So there was a total of 548 linear feet.

11 THE COURT: You didn't do the math for the  
12 ZURU. Is that 16 feet? You gave a number of shelves.

13 THE WITNESS: So ZURU would have -- I'm sorry.  
14 ZURU would have 16 linear feet.

15 THE COURT: Okay.

16 MR. DUNLAP: Not four linear feet.

17 A. It's 4 feet wide with shelves. So 16 linear.

18 BY MR. DUNLAP:

19 Q. And LEGO has?

20 A. 548.

21 Q. Okay.

22 THE COURT: And just so you asked in Walmart.  
23 Is that a particular Walmart or every Walmart?

24 THE WITNESS: This is for the chain. When  
25 Walmart or Target or any of these companies, they set

1 BY MS. ALQUIST:

2 Q. You were talking about how LEGO is way ahead in  
3 brand equity; is that fair to say?

4 A. Yes.

5 Q. And it's actually quite a bit of a difference even  
6 between the first place and the second place; isn't that  
7 right?

8 A. Correct.

9 Q. That means that LEGO has the largest amount of  
10 brand equity to lose; isn't that right?

11 A. Yeah. They have an enormous amount of brand  
12 equity.

13 Q. And they built that up based on their reputation?

14 A. And a lot of hard work.

15 Q. Yes. Thank you.

16 You also testified a little bit about some linear  
17 feet.

18 A. Am I still on G30?

19 Q. No. I'm sorry. Sorry about that.

20 So I was reflecting on your testimony. You had  
21 talked about linear feet and you were relying -- to  
22 refresh your recollection, it is one of these slides.  
23 I'm not sure which one, but it was pointing to Klosters  
24 Trading.

25 A. Yes.

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C E R T I F I C A T E

LEGO A/S, ET AL V. ZURU, INC.

3:18CV2045 (AWT)

I, Corinna F. Thompson, RPR, Official Court Reporter for the United States District Court for the District of Connecticut, do hereby certify that the foregoing pages, pages 1 - 195, are a true and accurate transcription of my shorthand notes taken in the aforementioned matter on February 14, 2019, to the best of my skill and ability.

/s/ \_\_\_\_\_

CORINNA F. THOMPSON, RPR  
Official Court Reporter  
450 Main Street, Room #225  
Hartford, Connecticut 06103  
(203) 376-8310

# **Exhibit C**



UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

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-----x
LEGO A/S; LEGO SYSTEMS, Inc.;      :
and LEGO JURIS A/S,                 :
                                     :
           Plaintiffs,               :
                                     :
v.                                   :   Civil No. 3:18-cv-2045 (AWT)
                                     :
ZURU INC.,                           :
                                     :
           Defendant.                :
-----x

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**RULING ON MOTION FOR PRELIMINARY INJUNCTION**

Plaintiffs LEGO A/S, LEGO Systems, Inc., and LEGO Juris A/S have moved for a preliminary injunction restraining defendant ZURU Inc. from manufacturing, selling, offering for sale, displaying, and importing products that infringe the plaintiffs' copyrights, trademarks, and design patents. For the reasons set forth below, the plaintiffs' motion is being granted.

**I. FACTUAL BACKGROUND**

**A. The LEGO Plaintiffs and Their Copyrights, Trademarks, and Design Patents**

Plaintiffs LEGO A/S ("LAS"), LEGO Systems, Inc. ("LSI"), and LEGO Juris A/S ("LJAS") (collectively, the "LEGO Group") filed a Verified Complaint against defendant ZURU Inc. LAS is a private company with a place of business in Denmark; LSI is a Delaware corporation having its principal place of business in Enfield, Connecticut; and LJAS is a private company with a place

of business in Denmark. The LEGO Group is an industry leader in designing and manufacturing toys and play materials for children of all ages worldwide, including toy building elements, figurines, and toy sets in the construction toy category.

The LEGO Group's Minifigure figurine (the "Minifigure figurine") is one of the LEGO Group's iconic construction toys. See Verified Compl. ("Compl.") (ECF No. 1), at ¶ 13. LAS owns several copyrights registered with the United States Copyright Office, including Registration Number VA0000655230 and Registration Number VA0000655104 (the "Minifigure Copyrights"), which "protect the 3D sculpture and derivative works of the Minifigure figurine." Id., at ¶ 14. The LEGO Group displays the © symbol on the plastic of the Minifigure figurine itself in various locations, e.g. the leg element and the torso element, as well as on various product packaging in connection with the Minifigure figurine. See id., at ¶¶ 15-17.

The LEGO Group introduced its Friends™ line of toy products in 2012. This line includes "a series of miniature figurines (the 'Friends figurine') representative of LEGO© Friends characters™." Id., at ¶ 57.

LAS owns copyrights registered with the United States Copyright Office, i.e. Registration Numbers VA 1-876-291, VA 1-876-279, VA 1-876-378, and VA 1-876-373 (the "Friends Copyrights"), which protect the 3D sculpture and derivative

works of the Friends figurine. Since at least 2012, the LEGO Group “has continuously displayed ‘© LEGO’ in the plastic of the Friends figurine” in various elements of the Friends figurine, such as on top of the head element. Id., at ¶ 59.

The LEGO Group has obtained design patents in the United States for its bricks and building elements. See id., at ¶ 44. The LEGO Group owns the following patents that are at issue in this motion: U.S. Patent No. D688,328S (the “’328 Patent”); U.S. Patent No. D641,053S (the “’053 Patent”); and U.S. Patent No. D614,707S (the “’707 Patent”) (collectively the “Asserted Patents.”). See id., at ¶ 45. U.S. Patent No. D701,923S (“the ’923 Patent”) is a subject of this action but not of the motion for a preliminary injunction.

**B. ZURU Inc. and Its Products**

The defendant, ZURU Inc., is a corporation formed under the laws of the British Virgin Islands and has offices in Hong Kong. ZURU “designs, manufactures, and markets innovative toys and consumer products.” Def.’s Mem. in Support of Mot. to Dismiss (ECF No. 31-1), at 2.<sup>1</sup> Non-party ZURU, LLC is an Oregon limited liability company, with its principal place of business in California. Its sole member is ZURU Inc.

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<sup>1</sup> The page numbers from the parties’ briefings refer to the page numbers of the ECF at the top, and not the page numbering at the bottom.

ZURU sells figurines in its MAX Build More 15 MAX Figures set (the "Infringing Figurines"), which the LEGO Group maintains are substantially similar to the overall look and feel of the plaintiffs' Minifigure figurine. The LEGO Group contends that the "Infringing Figurines are advertised on ZURU's websites," which provide links to purchase the Infringing Figurines to the Walmart website. Compl., at ¶¶ 25-26. The Infringing Figurines are also sold in Walmart's retail stores in the U.S. The Infringing Figurines became available for sale to the public through Walmart retail locations and the Walmart Website on or about October 1, 2018.

The plaintiffs also contend that the product packaging for the Infringing Figurines and ZURU's MAX Build More and Mayka Toy Block Tape lines of construction toys are substantially similar to the overall look and feel of the Minifigure figurine.

The plaintiffs contend that "ZURU manufactured, sold, offered to sell and imported and/or currently manufactures, sells, offers to sell, and imports, in the United States certain building bricks that are substantially similar to the Asserted Patents (the 'Infringing Bricks') in at least three different products: the MAX Build More Building Bricks Value Set (759 Bricks), MAX Build More Building Bricks Value Set (253 Bricks), and the MAX Build More Building Bricks Accessories and Wheels Value Set (250 Pieces)." Id., at ¶ 50.

The plaintiffs contend that "ZURU uses an image on product packaging for its Mayka Toy Block Tape that is strikingly and substantially similar to the overall look and feel of the Friends Copyrights (the "Infringing Friends Image")." Id., at ¶ 62.

**C. Claims Not a Subject of the Preliminary Injunction Motion**

Counts IV (Common Law Trademark and Trade Dress Infringement, Unfair Competition, and Misappropriation) and VII (Violation of the Connecticut Unfair Trade Practices Act) of the Verified Complaint are not a subject of the preliminary injunction motion. The Stud Trademarks and the '923 Patent are not a subject of the motion for a preliminary injunction even though the Stud Trademarks are a subject of Count II and the '923 Patent is a subject of Count VI.

**II. LEGAL STANDARD**

In Salinger v. Colting, 607 F.3d 68, 77, 79 (2d Cir. 2010), the court held that the test for the grant of a preliminary injunction based on alleged copyright infringement is "the four-factor test set forth by the Supreme Court in eBay Inc. v. MercExchange, LLC, 547 U.S. 388, 391, 126 S. Ct. 1837, 164 L.Ed.2d 641 (2006), while intimating that the eBay formulation applies to all applications for preliminary injunctions." Lego A/S v. Best-Lock Const. Toys, Inc., 874 F. Supp. 2d 75, 80 (D.

Conn. 2012) (citing Salinger, 607 F.3d at 77, 79). Under that test,

the court must consider four factors. First, the party requesting the injunction must demonstrate either (a) a likelihood of success on the merits, or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the movant's favor. Salinger at 79. Second, the movant must show that it is likely to suffer irreparable injury in the absence of an injunction, paying particular attention to the question of whether the remedies available at law, such as monetary damages, are inadequate to compensate for that injury. Id. at 80. Third, the court must consider the balance of hardships between the parties and grant the injunction only if that balance tips in the movant's favor. Id. Fourth, the court must ensure that the "public interest would not be disserved" by the issuance of a preliminary injunction. Id., quoting eBay at 391, 126 S.Ct. 1837.

Id.

### III. DISCUSSION

#### **A. Likelihood of Success on the Merits Or Sufficiently Serious Questions Going to the Merits**

##### **1. Copyright Infringement re the Minifigure Figurine (Count I) and the Friends Figurine (Count V)**

"To maintain an action for infringement, a plaintiff must establish '(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.'" Kwan v. Schlein, 634 F.3d 224, 229 (2d Cir. 2011) (quoting Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 361, (1991)).

The LEGO Group owns a valid copyright for the Minifigure figurine and the Friends figurine as they own the Minifigure Copyrights, covering the 3D sculpture of the Minifigure figurine (see Compl., Ex. A and B), and the Friends Copyrights, covering the 3D sculpture of the Friends figurine (see Compl., Ex. L-O). Therefore, the plaintiffs have met their burden with respect to the first element.

"To satisfy the second element, plaintiff 'must also show copying by defendants.... Copying may be inferred where a plaintiff [1] establishes that the defendant had access to the copyrighted work and [2] that substantial similarities exist as to protectible material in the two works.'" Leary v. Manstan, 118 F. Supp. 3d 460, 465 (D. Conn. 2015) (quoting Walker v. Time Life Films, Inc., 784 F.2d 44, 48 (2d Cir. 1986)).

**a. Access to the Minifigure figurine and the Friends figurine**

"Actual copying may be established 'either by direct evidence of copying or by indirect evidence, including access to the copyrighted work, similarities that are probative of copying between the works, and expert testimony.'" Castle Rock Entm't, Inc. v. Carol Pub. Grp., Inc., 150 F.3d 132, 137 (2d Cir. 1998) (quoting Laureyssens v. Idea Group, Inc., 964 F.2d 131, 140 (2d Cir. 1992)).

Access means that an alleged infringer had a "reasonable possibility"—not simply a "bare possibility"—of

[accessing] the prior work; access cannot be based on mere "speculation or conjecture." Gaste v. Kaiserman, 863 F.2d 1061, 1066 (2d Cir. 1988) . . . In order to support a claim of access, a plaintiff must offer "significant, affirmative and probative evidence." Scott v. Paramount Pictures Corp., 449 F.Supp. 518, 520 (D.D.C.1978), aff'd, 607 F.2d 494 (D.C. Cir. 1979) (table), cert. denied, 449 U.S. 849, 101 S.Ct. 137, 66 L.Ed.2d 60 (1980) . . . .

Jorgensen v. Epic/Sony Records, 351 F.3d 46, 51 (2d Cir. 2003).

Here, the plaintiffs produced evidence that established that the defendant had access to their products. The defendant offers no evidence to the contrary.

The plaintiffs have shown with direct evidence that the defendant had access to the LEGO Group's Minifigure figurine because the Minifigure figurine was included in the initial product advertisements for ZURU Inc.'s Mayka Toy Block Tape. When the LEGO Group contacted ZURU Inc. in August 2017 to demand that its property be taken off ZURU Inc.'s website, the defendant removed the Minifigure figurine image from the Mayka Toy Block Tape. As to indirect evidence, there is a more than reasonable possibility that ZURU Inc. had access to the Minifigure figurine because the figurine has been sold in large quantities since 1978 and the LEGO Group has engaged in substantial promotional advertising and marketing efforts related to the Minifigure figurine for over 40 years. It implausible that a competing toy company in the figurine business would have not known of the Minifigure figurine.



The plaintiffs have also produced evidence that establishes that there is more than a reasonable possibility that the defendant had access to the Friends figurine. The Friends figurine has been sold in numerous varieties of LEGO® brand toy sets since 2012, and the LEGO Group has undertaken substantial promotional, advertising, and marketing efforts with respect to the Friends figurine during that period. In addition, the Friends line of products has been widely-recognized in the international toy community, winning "Toy of the Year" for the best toy overall at the 2013 International Toy Fair in New York City, in addition to winning or being nominated for a number of additional awards. All of this would be common knowledge for toy companies competing in the figurine business.

Moreover, as discussed below, there are striking similarities between the Minifigure figurine and the Infringing Figurines, and between the Friends figurine and the Infringing Friends Image, and access can be inferred from the striking similarities. See McKain v. Estate of Rhymer, 166 F. Supp. 3d 197, 201 (D. Conn. 2015) ("In the absence of any proof of [direct] access, a complaint may establish a 'striking similarity' between the two works.").

**b. Substantial Similarities as To Protectible Material**

The standard test for substantial similarity between two items is whether an "ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard [the] aesthetic appeal as the

same.'" [Hamil America Inc. v. GFI, 193 F.3d 92, 100 (2d Cir. 1999) (quoting Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487, 489 (2d Cir.1960) (L.Hand, J.)). If "an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work," then the two products are substantially similar. Hamil America, 193 F.3d at 100; see Knitwaves, Inc. v. Lollytogs, Ltd., 71 F.3d 996, 1003 (2nd Cir. 1995). The fact-finder must examine the works for their "'total concept and feel.'" Hamil America, 193 F.3d at 102 (quoting Knitwaves, 71 F.3d at 1002).

Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 111 (2d Cir. 2001). "Consideration of the total concept and feel of a work, rather than specific inquiry into plot and character development, is especially appropriate in an infringement action involving children's works, because children's works are often less complex than those aimed at an adult audience." Williams v. Crichton, 84 F.3d 581, 589 (2d Cir. 1996) (citing Reyher v. Children's Television Workshop, 533 F.2d 87, 91 (2d Cir. 1976), cert. denied, 429 U.S. 980 (1976)).

The evidence at the hearing showed that the total concept and feel of the defendant's Infringing Figurines is substantially similar to that of the plaintiffs' Minifigure figurine. At the hearing, the plaintiffs' expert witness, Elizabeth Knight ("Knight"), demonstrated the substantial similarities between the Minifigure figurine and the Infringing Figurines by showing the results of a side-by-side comparison of the figurines and also by showing the results of an overlay of

images of the figurines. The side-by-side comparison and the overlay demonstrated there is very little in terms of differences between the plaintiffs' and defendant's products.

At the hearing, the plaintiffs also introduced into evidence physical specimens of the Minifigure figurine and the Infringing Figurines, arranged side-by-side. See Pls.' Ex. 1. Taking into account that exhibit, the court concludes that Knight testified persuasively that:

When I first got them it took me a few minutes to determine which was which. They felt very much the same. So I had to study them closely to really determine what the differences were.

Prelim. Inj. Hrg. Tr. (ECF No. 66), at 223:13-16.

The average lay observer for purposes of this case would be an adult who is buying toys for a child, and as explained by Knight, adults do not pay as close attention to these products as children do. Also, as the defendant's expert, Richard Gottlieb ("Gottlieb"), testified, and Knight agreed, "it's harder for an adult" to see the small differences between the products because "[a]n adult looks very briefly. They don't pay a lot of attention." Prelim. Inj. Hrg. Tr. (ECF No. 65), at 153:20-22 (testimony of Gottlieb); see also id. (ECF No. 66), at 224:15-18 (testimony of Knight).

Knight also gave a persuasive explanation as to why there are substantial similarities between the Friends figurine and

the Infringing Friends Image. She pointed out the similarities in terms of scale and proportion, i.e. the length of the leg, the shape of the leg, the proportions or size of the torso, and the head and the hair. Thus, she supported that her conclusion that the overall look and feel was very much the same with specific details.

The defendant argues that the similarities between the Minifigure figurine and the Friends figurine, on the one hand, and the Infringing Figurines and the Infringing Friends Image, on the other hand, are not substantial when one makes a visual comparison. The defendant argues: "ZURU's products have flexible joints that provide more degrees of freedom for moving limbs. Additionally, Plaintiffs' figurines utilize geometric shapes, such as the trapezoidal torso, resembling robots; whereas ZURU's products feature cut-in waists, broad shoulders, and rounded hips resembling humanoid physiques." Def.'s Mem. in Support of Mot. to Dismiss (ECF No. 31-1), at 32. Also, the defendant's expert witness, Gottlieb, testified that the ZURU Inc. MAX Build More product is "substantially different" from the Minifigure figurine because the "MAX product looks a little bit more like an action figure" whereas "the LEGO product is really more of a construction element." Prelim. Inj. Hrg. Tr. (ECF No. 65), at 153:17, 153:24-154:6; see also Def.'s Closing Arg. (ECF No. 57), at 17. However, these arguments deserve less weight than

Knight's analysis in light of the fact that the standard for determining substantial similarity is whether an "ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard the aesthetic appeal the same." Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 111 (2d Cir. 2001) (emphasis added).

The defendant argues that the similarities between the parties' products are common to other toy figurines. However, Knight showed how various figurines can be very different in form and proportion, creating different looks and feels that are quite different from each other and from the Minifigure figurine.

The defendant argues that, even if there are substantial similarities between the Minifigure figurine and the Infringing Figurines, the substantially similar elements are not protectable because they are functional.

The Copyright Act establishes that the broad category of "pictorial, graphic, or sculptural works" are eligible for copyright protection, provided, of course, that such works satisfy the Act's other requirements. See 17 U.S.C. § 102. The Act, however, excludes any "useful article"—defined as "an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information"—from copyright eligibility. See 17 U.S.C. § 101; see also \*328 17 U.S.C. § 102, Notes of committee on the Judiciary, House Report No. 94-1476 (stating that works of "artistic craftsmanship" are not protected by the Act, "insofar as their ... utilitarian aspects are concerned."). This limitation is in keeping with the notion that functional items are not eligible for the

relatively long-term protections of copyright, as opposed to the more temporary rights provided by the Patent Act, 35 U.S.C. § 271 et seq.

Chosun Int'l, Inc. v. Chrisha Creations, Ltd., 413 F.3d 324, 327-28 (2d Cir. 2005), abrogated by Star Athletica, L.L.C. v. Varsity Brands, Inc., 137 S. Ct. 1002, 197 L. Ed. 2d 354 (2017).

In Chosun Int'l, Inc., the court explained that

while “useful articles”, taken as a whole, are not eligible for copyright protection, the individual design elements comprising these items may, viewed separately, meet the Copyright Act's requirements. Specifically, if a useful article incorporates a design element that is physically or conceptually separable from the underlying product, the element is eligible for copyright protection.

Id. at 328. “Most courts in [the Second Circuit] appear to define the ‘functional’ aspects of a toy implicitly as those aspects that involve movement or attachment.” Lego A/S, 874 F. Supp. 2d at 98.

The Minifigure figurine and the Friends figurine have both functional and design elements. The plaintiffs agree that the Minifigure figurine has functional elements, such as “the bottom of the feet and holes on the backside of the legs [which] facilitate attachment to a base plate or brick.” Pls.’ Mem. of Law in Opp. to Def.’s Mot. to Dismiss (“Pls.’ Opp.”) (ECF No. 45), at 36. However, the plaintiffs have shown that the Minifigure figurine and the Friends figurine also contain design elements that affect the look and feel of the toys by comparing

them to various toy human figurines that all look and feel different. See id., at 36-37. Therefore, the plaintiffs are likely to establish that the Minifigure figurine and the Friends figurine have protectable elements.

Based on the foregoing, the court concludes that the plaintiffs have demonstrated a likelihood of success on the merits with respect to Count I and Count V.

**2. Trademark Infringement Under Section 32(a) (Count II) and Under Section 43(a) (1) (A) of the Lanham Act (Count III)**

The plaintiffs claim, inter alia, that the defendant's actions with respect to the Infringing Figurines constitute trademark infringement as to the LEGO Group's Minifigure figurine. The Lanham Act defines trademark infringement as the use without consent of "any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive[.]" 15 U.S.C. § 1114(1) (a). "The owner of a trademark may enforce the right to exclude others from using the trademark in an action for trademark infringement." Mashantucket Pequot Tribe v. Redican, 403 F. Supp. 2d 184, 190 (D. Conn. 2005).

Trademark infringement claims are analyzed under the following test: "[f]irst, . . . whether plaintiff's mark merits

protection, and second, whether defendant's use of a similar mark is likely to cause consumer confusion." Louis Vuitton Malletier v. Dooney & Bourke, Inc., 454 F.3d 108, 115 (2d Cir. 2006).

With respect to the first prong, the LEGO Group owns a trademark for the Minifigure figurine registered with the US Patent and Trademark Office (the "Minifigure Trademark"), which constitutes prima facie evidence of the validity of the mark. See 15 U.S.C. § 1057(b) ("A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated in the certificate.").

With respect to the second prong, in evaluating the likelihood of confusion, courts in this circuit look to the Polaroid factors:

(1) the strength of the senior mark; (2) the degree of similarity between the two marks; (3) the proximity of the products; (4) the likelihood that the prior owner will "bridge the gap"; (5) actual confusion; (6) the defendant's good faith (or bad faith) in adopting its own mark; (7) the quality of defendant's product; and (8) the sophistication of the buyers. Moreover, depending on the complexity of the issues, "the court may have to take still other variables into account."



Savin Corp. v. Savin Grp., 391 F.3d 439, 456 (2d Cir. 2004) (quoting Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961)) (internal citations omitted). “[T]he list of Polaroid factors is not exclusive and the analysis of the factors is not a mechanical process. The Polaroid factors are merely tools designed to help grapple with the ‘vexing’ problem of resolving the likelihood of confusion issue.” Merriam-Webster, Inc. v. Random House, Inc., 35 F.3d 65, 70 (2d Cir. 1994) (internal citations and quotation marks omitted). Additionally, “each factor must be evaluated in the context of how it bears on the ultimate question of likelihood of confusion as to the source of the product.” Brennan's, Inc. v. Brennan's Rest., L.L.C., 360 F.3d 125, 130 (2d Cir. 2004) (quoting Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 872 (2d Cir. 1986)).

Evaluating each of the Polaroid factors in light of the current record, the court concludes that the plaintiffs are likely to be able to establish that the defendant’s use of the Infringing Figurine is likely to cause confusion. The plaintiffs have produced evidence demonstrating that it is likely that they will be able to establish that each of the Polaroid factors supports such a conclusion.

**a. Strength of the Mark**

"The strength of a mark is its tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous, source." New Colt Holding Corp. v. RJG Holdings of Fla., Inc., 312 F. Supp. 2d 195, 225 (D. Conn. 2004) (quoting Cadbury Beverages, Inc. v. Cott Corp., 73 F.3d 474, 479 (2d Cir. 1996)). "When determining a mark's strength, courts consider both the mark's inherent distinctiveness, based on the characteristics of the mark itself, and its acquired distinctiveness, based on associations the mark has gained through use in commerce." CSL Silicones, Inc. v. Midsun Grp. Inc., 301 F. Supp. 3d 328, 356-57 (D. Conn. 2018).

The strength of a plaintiff's mark is not inherent, the court looks at the mark's acquired distinctiveness based on extrinsic evidence. In evaluating a mark's acquired distinctiveness, the court may examine "copying, advertising expenditures, sales success, length and exclusivity of use, unsolicited media coverage, and consumer studies (linking the name to a source)." In re Steelbuilding.com, 415 F.3d 1293, 1300 (Fed. Cir. 2005). "A showing of secondary meaning need not consider each of these elements. Rather, the determination examines all of the circumstances involving the use of the mark." Id.

The mark of the LEGO Group's Minifigure figurine is strong based on the extrinsic evidence presented by the plaintiffs, which includes, inter alia, a federally-registered trademark; substantial expenditures on promotional and marketing efforts; a long and continuous use of the mark since 1978; third-party licensing agreements; the substantial revenue from products and services connected to the Minifigure Trademark; and the widespread public exposure and recognition of the Minifigure figurine.

The defendant argues that the plaintiffs' mark is not strong with respect to the Minifigure figurine because it lacks exclusivity. The defendant asserts that there are other minifigurine competitors in the market. However, this argument is unpersuasive because the LEGO Group has been policing its brand and most of the figurines pointed to by the defendant, see Def.'s Opp. to Pls.' Mot. for TRO and Prelim. Inj. ("Def.'s Opp.") (ECF No. 37), at 43, are "ones that the [LEGO Group] is either actively working to remove for intellectual property reasons or essentially already out of the market". Prelim. Inj. Hrg. Tr. (ECF No. 65), at 21:14-16 (testimony of David Buxbaum).

**b. Degree of Similarity Between Marks**

The court looks to two factors when evaluating the degree of similarity between marks: "1) whether the similarity between the two marks is likely to cause confusion and 2) what effect

the similarity has upon prospective purchasers.” The Sports Auth., Inc. v. Prime Hosp. Corp., 89 F.3d 955, 962 (2d Cir. 1996) (internal citations omitted).

Here, there is a high degree of similarity between the marks. The court agrees with the plaintiffs that the Minifigure figurine is substantially similar in overall impression to the *Infringing Figurines*, based on the side-by-side comparison conducted by Knight. The defendant points out a number of differences between their product and the plaintiffs’ product. For example, the MAX Build More figurine has a square or rectangular torso, instead of a trapezoidal one, see Def.’s Opp., at 37, and the MAX Build More figurine does not have legs that bulge forward at the top. See id., at 33. However, differences such as these do not result in the creation of a different overall impression than that created by the LEGO Group’s product. See Prelim. Inj. Hrg. Tr. (ECF No. 66), at 276:16-18 (testimony of Knight) (“If the difference is minuscule, then it looks and feels the same.”). The high degree of similarity will cause confusion among prospective purchasers. If someone like Knight has to look at the products for a few minutes to determine which is which, prospective purchasers will face a challenge in telling the difference too. See id., at 223:13-16.

**c. Proximity of the Products**

The proximity of products is concerned with the "competitive distance between the products." McGregor-Doniger Inc. v. Drizzle Inc., 599 F.2d 1126, 1134 (2d Cir. 1979).

The "proximity-of-the-products" inquiry concerns whether and to what extent the two products compete with each other. We look to the nature of the products themselves and the structure of the relevant market. Among the considerations germane to the structure of the market are the class of customers to whom the goods are sold, the manner in which the products are advertised, and the channels through which the goods are sold.

Cadbury Beverages, Inc., 73 F.3d at 480 (internal quotation marks and citations omitted).

Here, both the plaintiffs' and defendant's products are toy figurines and toy construction products, and there is no difference between them in terms of the relevant market they target. ZURU Inc. simply presents itself as having the same quality product at a lower price.

**d. Likelihood that the Prior Owner Will Bridge the Gap**

For this factor, the court evaluates "whether the senior user of the mark is likely to enter the market in which the junior user is operating, that is, bridge the gap. If the senior user can show such an intention, it helps to establish a future likelihood of confusion as to source." Centaur Commc'ns, Ltd. v. A/S/M Commc'ns, Inc., 830 F.2d 1217, 1227 (2d Cir. 1987). Here,

there is no gap to be bridged because both companies already sell toy figurines and toy construction products.

**e. Actual Confusion**

In The Sports Auth., Inc., 89 F.3d at 963 (internal quotation marks and citations omitted), the court stated:

For purposes of the Lanham Act, actual confusion means consumer confusion that enables a seller to pass off his goods as the goods of another. To show actual confusion, [the plaintiff] must demonstrate that [the defendant]'s use could inflict commercial injury in the form of either a diversion of sales, damage to goodwill, or loss of control over reputation.

Additionally, "actual confusion need not be shown to prevail under the Lanham Act, since actual confusion is very difficult to prove and the Act requires only a likelihood of confusion as to source." Lois Sportswear, U.S.A., Inc., 799 F.2d at 875.

The plaintiffs have submitted evidence demonstrating that it is a likely that they will be able to establish that actual confusion has been experienced by consumers, including evidence that ZURU Inc. customers have used the LEGO name in connection with ZURU's Products. See Prelim. Inj. Hrg. Tr. (ECF No. 65), at 62:13-15 (testimony of Anna Mowbray).

**f. Bad Faith**

To evaluate this factor, the court "looks to whether the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between

his and the senior user's product." Lang v. Ret. Living Pub. Co., 949 F.2d 576, 583 (2d Cir. 1991). Additionally, "actual or constructive knowledge may signal bad faith. Indeed, in this circuit and others, numerous decisions have recognized that the second comer has a duty to so name and dress his product as to avoid all likelihood of consumers confusing it with the product of the first comer." Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 259 (2d Cir. 1987) (internal quotation marks omitted).

Here, the plaintiffs have produced evidence demonstrating that it is likely that they will be able to establish not only that the defendant had actual knowledge of confusion, but also that the defendant failed to correct such confusion on its own social media pages. See Pls.' Ex. 43. The plaintiffs will be able to bolster that evidence with circumstantial evidence, e.g. the number of infringing products, and the fact that ZURU Inc. continues to use the word "LEGO" on its packaging outside the United States, see Def.'s Ex. HHH, notwithstanding the discussions between the parties in 2017 concerning the "ZURU Mayka Lego Tape." Pls.' Mot. for TRO and Prelim. Inj., Ex. 1 (ECF No. 7-3).

#### **g. Quality of Defendant's Product**

In evaluating this factor, the court looks to "whether the senior user's reputation could be jeopardized by virtue of the

fact that the junior user's product is of inferior quality." Prof'l Sound Servs., Inc. v. Guzzi, 349 F. Supp. 2d 722, 735 (S.D.N.Y. 2004), aff'd, 159 F. App'x 270 (2d Cir. 2005) (quoting Arrow Fastener Co. v. Stanley Works, 59 F.3d 384, 398 (2d Cir. 1995)). "Generally, quality is weighed as a factor when there is an allegation that a low quality product is taking unfair advantage of the public good will earned by a well-established high quality product." Gruner + Jahr USA Pub., a Div. of Gruner + Jahr Printing & Pub. Co. v. Meredith Corp., 991 F.2d 1072, 1079 (2d Cir. 1993).

The plaintiffs have produced evidence demonstrating that it is likely that they will be able to establish that ZURU Inc. is taking unfair advantage of the goodwill earned by the products of the LEGO Group. A customer review on Walmart.com of the Infringing Figurines states that "the [o]nly problem is the body comes apart extremely easy. So one thing [I'd] suggest is hot glueing the legs and body together so they [don't] come apart easily when your kids are playing with them." Pls.' Ex. 43. (A close physical examination of the ZURU Inc. specimens in Pls.' Ex. 1 makes it clear how this could happen.) This customer review tends to support the testimony by David Buxbaum, the vice president Global Amazon Marketing and Commerce with the LEGO Group, that the Infringing Figurines are of lower quality than the LEGO Group's Minifigure figurine.



#### **h. Sophistication of Buyers**

"In evaluating the sophistication of the buyers, the general impression of the ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of goods, is the touchstone." Prof'l Sound Servs., Inc., 349 F. Supp. 2d at 735 (internal quotation marks and citation omitted).

Here, as the plaintiffs point out, the relevant product is a set of toy figures selling for \$12.97. The court agrees with the plaintiffs that the purchase of inexpensive toy figures, intended for use by children, does not require a high degree of sophistication. Moreover, the concern about confusion is heightened by the fact that, as stated by the defendant's expert, "[i]t's harder for an adult" to notice differences, as "[a]n adult looks very briefly. They don't pay a lot of attention," Prelim. Inj. Hrg. Tr. (ECF No. 65), at 153:20-22 (testimony of Gottlieb); see also id. (ECF No. 66), at 224:9-14 (testimony of Knight) ("moms and dads aren't paying as close attention as some kids do. They're busy, and shopping the way shopping is today, they're running through the aisles quickly. So if they look at a product for a couple seconds, they can easily be confused.").

Therefore, the court concludes that the plaintiffs have demonstrated that it is likely they will be able to establish

that each of the Polaroid factors supports the conclusion that there is a likelihood of confusion. Consequently, the plaintiffs have met their burden of demonstrating a likelihood of success on the merits with respect to Count II and Count III.

**3. Design Patent Infringement (Infringement of Asserted Patents Under 35 U.S.C. §§ 271 and 289) (Count VI)**

To “[establish] a likelihood of success on the merits—the patentee seeking a preliminary injunction in a patent infringement suit must show that it will likely prove infringement, and that it will likely withstand challenges, if any, to the validity of the patent. . . . In assessing whether the patentee is entitled to the injunction, the court views the matter in light of the burdens and presumptions that will inhere at trial.” Titan Tire Corp. v. Case New Holland, Inc., 566 F.3d 1372, 1376 (Fed. Cir. 2009).

“Whether a design patent is infringed is determined by first construing the claim to the design, when appropriate, and then comparing it to the design of the accused device.” OddzOn Prod., Inc. v. Just Toys, Inc., 122 F.3d 1396, 1404 (Fed. Cir. 1997). The ordinary observer test is “the sole test for determining whether a design patent has been infringed.” Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665, 678 (Fed. Cir. 2008). To show infringement under the ordinary observer test, the plaintiffs must show that “an ordinary observer,

familiar with the prior art designs, would be deceived into believing that the accused product is the same as the patented design.” Crocs, Inc. v. Int'l Trade Comm'n, 598 F.3d 1294, 1303 (Fed. Cir. 2010).

**a. Construing the Claims**

With respect to construing the claims, the Supreme Court has recognized that “a design is better represented by an illustration than it could be by any description and a description would probably not be intelligible without the illustration.” Egyptian Goddess, Inc., 543 F.3d at 679 (quoting Dobson v. Dornan, 118 U.S. 10, 14 (1886)). Illustrations of the Asserted Patents are contained in the Verified Complaint (see ¶¶ 47, 48, 49) and in the plaintiffs’ memorandum in support of their motion for a temporary restraining order and preliminary injunction. See ECF 7-1, at 51-57. In addition, the plaintiffs’ expert, Knight, gave for each of the Asserted Patents a description of the claim using the illustrations and the actual construction toy building brick itself.

“A design patent only protects the novel, ornamental features of the patented design.” OddzOn Prod., Inc. v. Just Toys, Inc., 122 F.3d 1396, 1405 (Fed. Cir. 1997) (citing Lee v. Dayton-Hudson Corp., 838 F.2d 1186, 1188, 5 USPQ2d 1625, 1627 (Fed. Cir. 1988)). “Where a design contains both functional and

non-functional elements, the scope of the claim must be construed in order to identify the non-functional aspects of the design as shown in the patent." Id.

"A design patent is directed to the appearance of an article of manufacture. An article of manufacture necessarily serves a utilitarian purpose, and the design of a useful article is deemed to be functional when the appearance of the claimed design is 'dictated by the use or purpose of the article.' If the particular design is essential to the use of the article, it can not be the subject of a design patent." L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117, 1123 (Fed. Cir. 1993) (internal citations omitted). "The elements of the design may indeed serve a utilitarian purpose, but it is the ornamental aspect that is the basis of the design patent." Id.

Here, the plaintiffs have established that each of the Asserted Patents contains both functional and ornamental features. In addition, the plaintiffs have established that the appropriate claim construction in each instance is the design for a construction toy building brick illustrated in the figure for the relevant Asserted Patent.

With respect to the '053 Patent, Knight described the overall visual appearance of the '053 Patent design as "a unique form." Prelim. Inj. Hrg. Tr. (ECF No. 66), at 242:9. She explained:

It's a slab that has one step up with a single stud projection on the first step and two on the top. It's got this sort of S curve that is sort of abstract, makes the form abstracted. It's nothing specific. It feels very open to possibilities. It doesn't say I want to be this kind of thing or a character or a structure. It feels like it could be a lot of different things.

Id., at 242:9-16. When asked whether the design was dictated by function, Knight explained that it is not, "[b]ecause it's got all these shapes and forms and suggestions of proportion that don't need to be there to connect." Id., at 245:1-3. Knight highlighted the significance of the "S curve" which makes the brick "something unusual." Id., at 245:6. In response to a question from the court, she explained that the "S curve" was "not a full S but we call it an S curve because it kind of goes in both directions . . ." Id., at 245:19-21.

The plaintiffs then introduced into evidence three of what they call "official builds" comprised of LEGO bricks. Knight showed how these builds "creatively illustrate the ornamental features" of the '053 Patent. Id., at 248:1. Plaintiffs' Exhibit 88 is a LEGO vampire figurine in which the brick is akin to part of the cloak in the area of the vampire's arm. Plaintiffs' Exhibit 89 is a LEGO moose figurine in which the same brick looks like antlers. Plaintiffs' Exhibit 90 is a LEGO tree figurine in which that same brick is the tree branches.

With respect to the '707 Patent, Knight described the overall visual appearance of the '707 Patent design as:

It's a sort of an open rectangle. So it has four slabs, one on each side. It's open in the middle. It's sort of size feels like it's kind of cute and well balanced. "Cute" is a term we use in the toy industry. It's got two stud projections on the top and it connects on the bottom as well. So it's kind of a unique open-ended form that could be used horizontally or vertically.

Id., at 249:2-9. She describes it as not having any particular shape, but rather as being just an open form. See id., at 249:10-11. When asked whether the design was dictated by function, Knight explained that it is not: "The design of it is created so that it can become many different things. There's nothing specific about it." Id., at 251:24-252:1.

The plaintiffs then introduced into evidence three "official builds" comprised of LEGO bricks that creatively illustrate the ornamental features of the '707 Patent. Plaintiffs' Exhibit 91 is a LEGO head where the brick is used to make the frames of eyeglasses. Plaintiffs' Exhibit 92 is a LEGO small table with a lamp, where two of the bricks are put together with a top to make a little table. Plaintiffs' Exhibit 93 is a LEGO small television figurine.

With respect to the '328 Patent, Knight described the overall visual appearance of the '328 Patent design as:

a sort of a really lovely, balanced form. So I'm talking about the proportion. So the length and width in proportion to all the other sides. It's kind of unique in that the top slab is slightly thicker than the front. I'm calling this the front. So the top is thicker. So that can imply a lot of different uses. It feels really open to be used in any direction, horizontal, vertical.

And because there are two -- these two stud projections, feels like they can become very decorative in their use as well.

Id., at 256:2-12. When asked if the design was dictated by function, Knight explained it was not, because "every element, the proportion, the scale, the decision to put two stud projections, the thickness of the wall, those are all things that can help a creator make things. So they're design elements." Id., at 256:10-13.

The plaintiffs then introduced into evidence three "official builds" comprised of LEGO bricks that creatively illustrate the ornamental features of the '328 Patent. Plaintiffs' Exhibit 94 is "a launcher of some sort. But what they've done is taken that brick and put it on the side so it looks like it's a rivet or a detail." Id., at 259:3-5. Plaintiffs' Exhibit 95 is a LEGO chest figurine where the brick is used "just to sort of show a latch or a detail." Id., at 259:10-11. Plaintiffs' Exhibit 96 is a LEGO bridge figurine where the bricks are lined up so they look "like the rivets in the construction of this bridge." Id., at 259:15-16.

**b. Comparing Asserted Patents to Infringing Bricks**

"The comparison step of the infringement analysis requires the fact-finder to determine whether the patented design as a whole is substantially similar in appearance to the accused design. The patented and accused designs do not have to be

identical in order for design patent infringement to be found. See Braun Inc. v. Dynamics Corp. of Am., 975 F.2d 815, 820, 24 USPQ2d 1121, 1125 (Fed.Cir.1992). It is the appearance of a design as a whole which is controlling in determining infringement. There can be no infringement based on the similarity of specific features if the overall appearance of the designs are dissimilar . . .” OddzOn Prod., Inc. v. Just Toys, Inc., 122 F.3d 1396, 1405 (Fed. Cir. 1997). “The proper comparison requires a side-by-side view of the drawings of the . . . patent design and the accused products.” Crocs, Inc., 598 F.3d at 1304.

The plaintiffs provided a side-by-side comparison of photographs for each of the bricks covered by the Asserted Patent and the corresponding ZURU product that infringes on that Asserted Patent. See Pls.’ Mot. for TRO and Prelim. Inj. (ECF No. 7-1), at 56-57.

Although the patented and accused designs do not have to be identical, a side-by-side comparison in this case reveals that each Infringing Brick utilizes the same design features as the design for the corresponding LEGO brick covered by an Asserted Patent. Moreover, Plaintiffs’ Exhibit 1 includes a physical specimen of each of the LEGO bricks paired with the relevant Infringing Brick, and the bricks in each pair are



indistinguishable except for extremely small letters identifying each as either a LEGO or ZURU product.

### **c. Obviousness**

Our precedents teach that "the ultimate inquiry under section 103 is whether the claimed design would have been obvious to a designer of ordinary skill who designs articles of the type involved." Durling v. Spectrum Furniture Co., 101 F.3d 100, 103 (Fed. Cir. 1996) (citing In re Rosen, 673 F.2d 388, 390 (CCPA 1982)). Durling explains that this general principle translates into "whether one of ordinary skill would have combined teachings of the prior art to create the same overall visual appearance as the claimed design," id. (citing In re Borden, 90 F.3d 1570, 1574 (Fed.Cir.1996)), and that this in turn requires that "one must find a single reference, 'a something in existence, the design characteristics of which are basically the same as the claimed design.'" Id. (quoting In re Rosen, 673 F.2d at 391). Once the primary reference is found, other "secondary" references "may be used to modify it to create a design that has the same overall visual appearance as the claimed design." Id. Further, these secondary references must be "'so related [to the primary reference] that the appearance of certain ornamental features in one would suggest the application of those features to the other.'" Id. (quoting In re Borden, 90 F.3d at 1575 (alteration in original)).

Titan Tire Corp., 566 F.3d at 1380-81. The primary reference "must be a reference, a something in existence, the design characteristics of which are basically the same as the claimed design in order to support a holding of obviousness." In re Rosen, 673 F.2d 388, 391 (C.C.P.A. 1982). The secondary reference "may be combined only when the designs are "so related that the appearance of certain ornamental features in one would

suggest the application of those features to the other.” In re Borden, 90 F.3d 1570, 1575 (Fed. Cir. 1996).

“At trial ... an issued patent comes with a statutory presumption of validity under 35 U.S.C. § 282. However, “[b]efore trial . . . these burdens and presumptions [are] tailored to fit the preliminary injunction context.” Titan Tire Corp., 566 F.3d at 1377. “If . . . the alleged infringer responds to the preliminary injunction motion by launching an attack on the validity of the patent, the burden is on the challenger to come forward with evidence of invalidity, just as it would be at trial. The patentee, to avoid a conclusion that it is unable to show a likelihood of success, then has the burden of responding with contrary evidence, which of course may include analysis and argument.” Id.

Based on the analysis and testimony of the plaintiffs’ expert, Knight, the court concludes that the plaintiffs are likely to prevail on the issue of obviousness. Knight demonstrated that no reference pointed out by ZURU Inc. has the same visual impression as the patented designs; and that if a designer of ordinary skill were to combine the references identified by ZURU Inc., the result would be very different from the patented designs.

With respect to the ‘053 Patent, as discussed above, Knight described the overall visual appearance of the patented design.

She also described the overall visual appearance of two references, i.e. U.S. Pat. No. D290,476 and U.S. Pat. No. D345,591. Knight testified that neither of those references captures the overall look of the design claimed in the '053 Patent, and it is apparent from looking at them that they do not because, as she testified, they are very different. See Prelim. Inj. Hrg. Tr. (ECF No. 66), at 243:15-18. Knight also explained, persuasively, why a designer of ordinary skill would not combine the two references to create the same overall visual appearance as the patented design, and what a designer of ordinary skill would do if the designer were to combine the references to form a design. She did so by looking at the two references and taking what was different about each of them and then combining those elements in a drawing. A copy of Knight's drawing is in her declaration. See Decl. of Elizabeth Knight (ECF No. 47-5), at ¶ 35.

With respect to the '707 Patent, as discussed above, Knight described the overall visual appearance of the patented design. She also described the overall visual appearance of two references, i.e. U.S. Pat. No. D360,658 and a reference from ZURU's opposition memorandum (see ECF No. 37, at 51). Knight testified that neither of those references captures the overall look of the design claimed in the '707 Patent, and it is apparent from looking at them that they do not because, as she

testified, they are very different. See Prelim. Inj. Hrg. Tr. (ECF No. 66), at 251:7-10. Knight also explained, persuasively, why a designer of ordinary skill would not combine the two references to create the same overall visual appearance as the patented design, and what a designer of ordinary skill would do if the designer combined the references to form a design. She did so by looking at the two references and taking what was different about each of them and then combining those elements in a drawing. A copy of Knight's drawing is in her declaration. See Decl. of Elizabeth Knight (ECF No. 47-5), at ¶ 40.

With respect to the '328 Patent, as discussed above, Knight described the overall visual appearance of the patented design. She also described the overall visual impression of two references, i.e. U.S. Pat. D246,927 and a reference from ZURU's opposition memorandum (see ECF No. 37, at 58). Knight testified that neither of those references captured the overall look of the design claimed in the '328 Patent, and it is apparent from looking at them that they do not because, as she testified, they are very different. See Prelim. Inj. Hrg. Tr. (ECF No. 66), at 257:8-11. Knight also explained, persuasively, why a designer of ordinary skill would not combine the two references to create the same overall visual appearance as the patented design, and what a designer of ordinary skill would do if the designer combined the references to form a design. She did so by looking

at the two references and taking what was different about each of them and then combining those elements in a drawing. A copy of Knight's drawing is in her declaration. See Decl. of Elizabeth Knight (ECF No. 47-5), at ¶ 45.

The defendant presents no evidence that rebuts Knight's analysis and opinions. Rather, the defendant relies on arguments of counsel in its briefs, and the court finds none of those arguments persuasive. Also, the defendant questions Knight's training and experience and contends her testimony should be discounted as internally inconsistent, flawed, and not credible. The court disagrees. The defendant points to a line of questioning by the court which it claims highlights flaws in Knight's reasoning. To the contrary, the court asked a number of questions to test Knight's analysis and, in each instance, Knight gave a clear and compelling response that made her analysis more persuasive.

Based on the foregoing, the court concludes that the plaintiffs have demonstrated a likelihood of success on the merits with respect to Count VI.

**B. Irreparable Harm**

The plaintiffs must show that they are "likely to suffer irreparable injury in the absence of an injunction, paying particular attention to the question of whether the remedies available at law, such as monetary damages, are inadequate to

compensate for that injury.” Lego A/S, 874 F. Supp. 2d at 80 (citing Salinger, 607 F.3d at 79). The plaintiffs have met their burden.

With respect to the Minifigure Trademark, “a showing of likelihood of confusion establishes both a likelihood of success on the merits and irreparable harm.” Hasbro, Inc. v. Lanard Toys, Ltd., 858 F.2d 70, 73 (2d Cir. 1988). “The most corrosive and irreparable harm attributable to trademark infringement is the inability of the victim to control the nature and quality of the defendant's goods. Even if the infringer's products are of high quality, the plaintiff can properly insist that its reputation should not be imperiled by the acts of another.” Processed Plastic Co. v. Warner Commc'ns, Inc., 675 F.2d 852, 858 (7th Cir. 1982); see also Yale Elec. Corp. v. Robertson, 26 F.2d 972, 974 (2d Cir. 1928) (“If another [entity] uses [an entity's mark], he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use . . . .”).

Here, the defendant contends that the plaintiffs have not shown a likelihood of confusion. However, as discussed above, the court finds that the plaintiffs have met their burden of showing a likelihood of confusion with respect to the Minifigure Trademark and the Infringing Figurines. The plaintiffs have, in

fact, demonstrated that analysis of each of the Polaroid factors supports a conclusion that the defendant's use of the Infringing Figurines is likely to cause consumer confusion. Therefore, the plaintiffs have established irreparable harm with respect to infringement of the Minifigure Trademark.

With respect to the Asserted Patents, "[i]t is well-settled that, because the principal value of a patent is its statutory right to exclude, the nature of the patent grant weighs against holding that monetary damages will always suffice to make the patentee whole. The patent statute provides injunctive relief to preserve the legal interests of the parties against future infringement which may have market effects never fully compensable in money." Hybritech Inc. v. Abbott Labs., 849 F.2d 1446, 1456-57 (Fed. Cir. 1988). "If monetary relief were the sole relief afforded by the patent statute then injunctions would be unnecessary and infringers could become compulsory licensees for as long as the litigation lasts." Id. at 1457 (quoting Atlas Powder Co. v. Ireco Chems., 773 F.2d 1230, 1233 (Fed. Cir. 1985)).

Harm to a patent holder's goodwill supports issuance of a preliminary injunction. See Reebok Int'l Ltd. v. J. Baker, Inc., 32 F.3d 1552, 1558 (Fed. Cir. 1994) ("Harm to reputation resulting from confusion between an inferior accused product and a patentee's superior product is a type of harm that is often

not fully compensable by money because the damages caused are speculative and difficult to measure.”).

Buxbaum testified concerning the immeasurable harm to the LEGO Group and its brand resulting from ZURU Inc.’s infringing products:

If we have products that are not delivering our quality of play experience in their hands, they are less likely to ever come into the Lego brand or that category of toys . . . And secondly, the reason that's significant is that many of these kids will become parents themselves, and we're a generational toy. We've been in the market a very long time, and it's in many ways almost a right of passage that one generation exposes the next generation to our products. So if you have a child that has a poor experience and they never start playing with Lego, then they are probably not going to be introducing that to their children. So we don't just lose that one person's engagement in our brand, we lose potentially generations of that. And when you apply that to any scale that is incredibly bad for the long-term health of our brand.

TRO Hrg. Tr., at 45:7-46:1.

The defendant characterizes Buxbaum’s testimony as speculative and based on a faulty premise that the MAX Build More products are inferior. However, the defendant’s expert, Gottlieb, prepared a chart of the top ten toy companies in terms of brand value. It showed that the LEGO Group was way ahead all other toy companies in terms of brand equity and, moreover, that there was a substantial difference between it and the second place company. Gottlieb agreed that this meant that the LEGO Group has the largest amount of brand equity to lose. He also



agreed that the LEGO Group built up that brand equity based on its reputation "and a lot of hard work." Prelim. Inj. Hrg. Tr. (ECF No. 65), at 178:14. In addition, there is an evidentiary basis beyond Buxbaum's own observations for his conclusion that the MAX Build More products are inferior.

In contrast, ZURU Inc. offered positive "customer" reviews as if they were independent reviews, when in fact they were "sponsored ads", i.e. it paid those customers and/or gave them free product. See Prelim. Inj. Hrg. Tr. (ECF No. 35), at 92:23-93:1, 95:5-12 (testimony of Anna Mowbray).

The plaintiffs have also shown that the patent infringement will lead to the LEGO Group losing market share. See, e.g., Abbott Labs. v. Sandoz, Inc., 544 F.3d 1341, 1362 (Fed. Cir. 2008) (holding that loss of market share can constitute irreparable harm). As discussed above, the LEGO Group's bricks covered by the Asserted Patents and the corresponding Infringing Bricks are virtually indistinguishable. David Buxbaum testified: "[t]he challenge is that every time someone plays with something that they think is Lego that is not, they are not getting the same quality experience and therefore, they are likely to think less of our brand." TRO Hrg. Tr., at 44:17-45:1. Thus, not only is the LEGO Group at risk of losing sales to the defendant, it is also at risk of having someone turned away from the brand altogether.

With respect to copyright infringement, “the court must actually consider the injury the plaintiff will suffer if he or she loses on the preliminary injunction but ultimately prevails on the merits, paying particular attention to whether the “remedies available at law, such as monetary damages, are inadequate to compensate for that injury.” Salinger, 607 F.3d at 80 (quoting eBay, 547 U.S. at 391).

The plaintiffs have established that allowing the defendant to continue to sell the Infringing Figurines and the Infringing Friends Image is likely to result in considerable confusion, and as discussed above, lost goodwill and damaged reputation for the LEGO Group. In addition, the construction toy market is highly competitive and, as discussed above, selling products that infringe on the LEGO Group’s copyrights would allow ZURU Inc. to increase its sales and market share, and would also enable it to establish relationships with customers for whom the LEGO Group competes. These injuries are unquantifiable.

Based on the foregoing, the court finds that the plaintiffs have shown that they will suffer irreparable harm if a preliminary injunction is not issued.

**C. Balance of Hardships**

“[A] court must consider the balance of hardships between the plaintiff and defendant and issue the injunction only if the balance of hardships tips in the plaintiff's favor.” Salinger,

607 F.3d at 80. The balance of hardships analysis is related to the irreparable harm analysis. See id. at 81 (stating that “[t]hose two items, both of which consider the harm to the parties, are related.”)

The plaintiffs’ arguments are similar to those they make to show irreparable harm. The defendant argues that ceasing sale of the MAX Build More products and the Mayka Toy Block Construction tape would be a large burden on it and would require it to risk losing its relationships with valuable and sensitive retail clients. The defendant would also suffer lost sales and harm to its reputation with consumers.

However, the court finds that the irreparable harm to the plaintiffs, discussed above, outweighs the harm to the defendant, particularly in light of the fact that the defendant’s injuries result solely from its own deliberate acts of infringement engaged in despite the fact that the LEGO Group sent ZURU Inc. cease and desist letters in connection with the issues raised in this litigation and had previously done so in 2017. See WPIX, Inc. v. ivi, Inc., 691 F.3d 275, 287 (2d Cir. 2012) (“It is axiomatic that an infringer of copyright cannot complain about the loss of ability to offer its infringing product.”) (internal quotation marks and citation omitted); Clear Channel Outdoor, Inc. v. City of N.Y., 594 F.3d 94, 110 (2d Cir. 2010) (finding harm to plaintiffs caused by their

violations of City ordinance the result of a "self-inflicted wound").

**D. Public Interest**

The public interest favors issuing the preliminary injunction. "The public has a great interest in administration of the trademark law in a manner that protects against confusion." Guthrie Healthcare Sys. V. ContextMedia, Inc., 826 F.3d 27, 50 (2d Cir. 2016). The court agrees with the plaintiffs that injunctive relief would be in the public interest because it would bar ZURU Inc. from continuing to mislead and deceive the relevant consumers, i.e. children and their families, and the public into believing that there is some connection between ZURU Inc. and the LEGO Group when, in fact, there is none.

"[T]he public interest factor favors whichever party has shown a likelihood of success on the merits" and "there exists a strong policy in favor of enforcing copyrights." Lego A/S, 874 F. Supp. 2d at 107 (internal citations omitted). Likewise, "[t]here exists a public interest in protecting rights secured by valid patents." Jeneric/Pentron, Inc. v. Dillon Co., 259 F. Supp. 2d 192, 196 (D. Conn. 2003).

The defendant argues that "[w]ithout the high-quality and low-cost MAX Build More products, economically disadvantaged parents would not be able to purchase them and introduce their children to educational construction toys. The public has an

interest in open and free competition between such companies.” Def.’s Closing Arg., at 41. However, whether the MAX Build More products of the same quality as those of the LEGO Group is a hotly contested issue and, while the public has an interest in open and free competition, it has a greater interest in fair competition.

**E. Bond**

“The court may issue a preliminary injunction or a temporary restraining order only if the movant gives security in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained.” Fed. R. Civ. P. 65(c). “Rule 65(c)'s bond requirement serves a number of functions. It assures the enjoined party that it may readily collect damages from the funds posted in the event that it was wrongfully enjoined, and that it may do so without further litigation and without regard to the possible insolvency of the plaintiff. See Continuum Co., Inc. v. Incepts, Inc., 873 F.2d 801, 803 (5th Cir.1989). In addition, the bond provides the plaintiff with notice of the maximum extent of its potential liability.” Nokia Corp. v. InterDigital, Inc., 645 F.3d 553, 557 (2d Cir. 2011). “Although . . . a wrongfully enjoined party is entitled to a presumption in favor of recovery, that party is not automatically entitled

to the damages sought. The presumption applies to 'provable' damages." Id. at 559.

Here, the court finds that a bond in the amount of \$25,000, to be posted within 30 days, is proper in light of the strong evidence that ZURU Inc. has infringed on the LEGO Group's intellectual property rights in such a variety of ways and, in the case of the Infringing Bricks, by producing indistinguishable products. Moreover, ZURU Inc. was put on notice in 2017 that it was infringing on the plaintiffs' intellectual property rights by another means in connection with one of ZURU Inc.'s products that is at issue in this action.

#### **IV. CONCLUSION**

For the reasons set forth above, Plaintiffs' Motion for Preliminary Injunction (ECF No. 7) is hereby GRANTED, and the court is issuing a separate Preliminary Injunction order reflecting the terms of this ruling.

It is so ordered.

Dated this 8th day of July 2019, at Hartford, Connecticut.

/s/ AWT  
\_\_\_\_\_  
Alvin W. Thompson  
United States District Judge

# **Exhibit D**

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

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----- x
LEGO A/S; LEGO SYSTEMS, Inc.;      :
and LEGO JURIS A/S,                 :
                                     :
           Plaintiffs,               :   Civil No. 3:18-cv-2045(AWT)
                                     :
v.                                    :
                                     :
ZURU, INC.,                          :
                                     :
           Defendant.                :
----- x

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**RULING ON MOTION FOR CONTEMPT**

Plaintiffs LEGO A/S, LEGO Systems, Inc., and LEGO Juris A/S (the "LEGO Group") move for a finding that defendant ZURU, Inc. is in contempt of the Preliminary Injunction Order (ECF No. 47) issued by the court on July 8, 2019. For the reasons set forth below, the plaintiffs' motion is being granted.

**I. PROCEDURAL BACKGROUND AND FACTS**

The plaintiffs brought this action seeking, inter alia, a temporary restraining order and a preliminary injunction enjoining the defendant from manufacturing, selling, offering for sale, distributing, displaying, and importing products that infringe the plaintiffs' copyrights, trademarks, and design patents. A temporary restraining order was issued after a hearing on December 14, 2018. In February 2019, there was a two-day evidentiary hearing on the LEGO Group's motion for a preliminary injunction. The temporary restraining order remained



in place by agreement pending the court's ruling on the motion for a preliminary injunction.

The temporary restraining order and the Preliminary Injunction Order addressed the plaintiffs' Minifigure figurine, Minifigure Copyrights, and Minifigure Trademarks; the plaintiffs' U.S. Patent Nos. D688, 328S, D641, 053S, and D614707S; and the plaintiffs' copyrighted Friends figurine and Friends Copyrights (all as defined in the plaintiffs' memorandum of law (ECF No. 7-1)). At issue in the instant motion for contempt is the plaintiffs' Minifigure figurine, Minifigure Copyrights, and Minifigure Trademarks.

The Preliminary Injunction Order provided, inter alia, that it was:

**FURTHER ORDERED** that the defendant, ZURU, Inc., together with its agents, servants, employees, successors and assigns, and all those in active concert or participation with them, hereby are, and using defined terms as they appear in the plaintiffs' memorandum of law (ECF No. 7-1), **RESTRAINED AND ENJOINED** from

a. Manufacturing, selling, offering for sale, distributing<sup>1</sup>, displaying or authorizing the sale of products, including the Infringing Products, containing unauthorized reproductions of the copyrighted and trademarked Minifigure figurine, including any figurine or image that is substantially similar to the Minifigure Copyrights or likely to be confused with the Minifigure Trademarks[.]

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<sup>1</sup> The temporary restraining order did not include the word "distributing."

Prelim. Inj. Order at 1-2, ECF No. 87. See also TRO at 2, ECF No. 19. The Preliminary Injunction Order:

**FURTHER ORDERED** that the defendant must take actions to ensure the removal of the Infringing Products from the market, including recalling, to the extent it has the right to do so, all Infringing Products from its retailer, Walmart, and any other distributor of Infringing Products in the United States, and filing on the docket a declaration detailing those actions within thirty (30) days from the grant of the Preliminary Injunction[.]

Prelim. Inj. Order at 1-2. Simultaneously with the issuance of the Preliminary Injunction Order, the court issued a written ruling, the Ruling on Motion for Preliminary Injunction (the "Ruling"), ECF No. 86, setting forth in detail its analysis and conclusions.

In December 2018, after the issuance of the temporary restraining order, the defendant began the process of redesigning its MAX Build More figurines, and by March 4, 2019 the defendant had developed redesigned figurines (the "Redesigned Figurines").

In January 2019, ZURU, LLC, an Oregon limited liability company whose sole member is ZURU, Inc., commenced a parallel action in the Central District of California, which has now been transferred to this district. See ZURU LLC v. LEGO Systems Inc., 3:19-cv-1128 (AWT) (D. Conn.). On August 24, 2019, ZURU, LLC filed a first amended complaint in the California action, in which it submitted the Redesigned Figurines and corresponding

images of them (the "Redesigned Images") and sought declarations of invalidity and noninfringement with respect to the plaintiff's copyrights and trademarks. ZURU, Inc. submitted the Redesigned Figurines and the Redesigned Images and requested a declaration of non-infringement in this case in its counterclaim included in its Answer (ECF No. 94), filed on July 22, 2019.

On August 7, 2019, Anna Jane Mowbray, the Chief Operating Officer of ZURU, Inc., filed a sworn declaration with the court as required by the Preliminary Injunction Order. Mowbray averred in her declaration that:

ZURU also previously discussed the PI Order with Walmart and understood from Walmart that Walmart was removing the Enjoined Products from the shelves of its stores in the United States and was no longer making the Enjoined Products available for sale in the United States through its website. ZURU has also since confirmed that Walmart has removed the Enjoined Products from the shelves of its stores in the United States and was no longer making the Enjoined Products available for sale in the United States through its website. Walmart is the only retailer to whom ZURU shipped allegedly infringing MAX Build More figures and block sets.

Decl. of Anna Jane Mowbray at ¶ 5, ECF No. 97.

Also in early August 2019, ZURU, Inc. relaunched its Max Build More line of toys in the United States absent the Infringing Figurines, Infringing Images, and Infringing Bricks. It was available for sale on Walmart.com and in Walmart retail locations.

With respect to the plaintiffs' Minifigure figurine and the defendant's Infringing Figurines, the Ruling explained, inter alia, that:

The standard test for substantial similarity between two items is whether an "'ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard [the] aesthetic appeal as the same.'" Hamil America Inc. v. GFI, 193 F.3d 92, 100 (2d Cir. 1999) . . . . 'The fact-finder must examine the works for their "total concept and feel.'" Hamil America, 193 F. 3d at 102 (quoting Knitwaves, 71 F. 3d at 1002)." Yurman Design, Inc. v. PAJ, Inc., 262 F. 3d 101, 111 (2d Cir. 2001). "Consideration of the total concept and feel of a work, rather than specific inquiry into plot and character development, is especially appropriate in an infringement action involving children's work, because children's works are often less complex than those aimed at an adult audience." Williams v. Crichton, 84 F. 3d 581, 589 (2d Cir. 1996) (citing Reyher v. Children's Television Workshop, 533 F.2d 87, 91 (2d Cir. 1976), cert. denied, 429 U.S. 980 (1976)).

The evidence at the hearing showed that the total concept and feel of the defendant's Infringing Figurines is substantially similar to that of the plaintiffs' Minifigure figurine. At the hearing, the plaintiffs' expert witness, Elizabeth Knight ("Knight"), demonstrated the substantial similarities between the Minifigure figurine and the Infringing Figurines by showing the results of a side-by-side comparison of the figurines and also showing the results of an overlay of images of the figurines. The side-by-side comparison and the overlay demonstrated there is very little in terms of differences between the plaintiffs' and defendant's products.

Ruling on Mot. for Prelim. Inj. at 9-11.

The Ruling also reflects that the court concluded that:

The average lay observer for purposes of this case would be an adult who is buying toys for a child, and . . . . adults do not pay as close attention to these

products as children do. Also, as the defendant's expert, Richard Gottlieb ("Gottlieb"), testified, and Knight agreed, "it's harder for an adult" to see the small differences between the products because "[a]n adult looks very briefly. They don't pay a lot of attention."

Id. at 11.

The defendant's design documents for the Redesigned Figurines show that the defendant started with the plaintiff's Minifigure figurine and then considered using different proportions with respect to various parts of the figurine, as well as using the same proportions but shapes that were different from the plaintiffs' Minifigure figurine. See Pls.' Exs. 8 through 12 and 15.

Of course, the defendant did not have the benefit of the Ruling at the time it developed the Redesigned Figurines during the period from December 2018 to March 2019. However, Sherrie Hargus, ZURU, Inc.'s Vice President of Sales - Walmart and Sam's Club, testified about the defendant's efforts to comply with the Preliminary Injunction Order, as well as the design of the Redesigned Figurines and the rollout of that product. In response to a question from the court about what the defendant did to be certain that the Redesigned Figurines were not in violation of the Preliminary Injunction Order, Hargus testified that ZURU, Inc. "took another look at the entire product." Mot. for Contempt Hr'g Tr. at 65:1-2, ECF No. 137. She testified

that, in doing so, ZURU's engineering team and marketing team took into account the Preliminary Injunction Order and then assessed the Redesigned Figurines. No change was made to the Redesigned Figurines after the defendant reviewed the Preliminary Injunction Order.

ZURU, Inc. has been distributing the Redesigned Figurines in the United States through Walmart.com. The Redesigned Figurines appear in the Redesigned Images.

## **II. DISCUSSION**

### **A. ZURU, Inc. Is In Contempt**

"[A] contempt order is a 'potent weapon,' Int'l Longshoremen's Ass'n v. Phila. Marine Trade Ass'n., 389 U.S. 64, 76 (1967), that is inappropriate if 'there is a fair ground of doubt as to the wrongfulness of the defendant's conduct,' Cal. Artificial Stone Paving Co. v. Molitor, 113 U.S. 609, 6`8 (1885)." Latino Officers Ass'n City of New York, Inc. v. City of New York, 558 F.3d 159 (2009). "A contempt order is warranted only where the moving party establishes by clear and convincing evidence that the alleged contemnor violated the district court's edict." King v. Allied Vision, Ltd., 65 F.3d 1051, 1058 (2d Cir. 1995). "[S]pecifically, a movant must establish that (1) the order the contemnor failed to comply with is clear and unambiguous, (2) the proof of noncompliance is clear and convincing, and (3) the contemnor has not diligently attempted

to comply in a reasonable manner.” Id.; see also Latino Officers Ass’n, 558 F.3d at 164.

The plaintiffs have met their burden with respect to each of these three requirements, and the court finds that ZURU, Inc. is in contempt of the Preliminary Injunction Order.

### **1. Clear and Unambiguous Order**

The language of the Preliminary Injunction Order is clear and unambiguous. The prohibition extends to “any figurine or image that is substantially similar to the Minifigure Copyrights or likely to be confused with the Minifigure Trademarks.” In its opposition, ZURU, Inc. states in a footnote that “[t]he boundaries of the terms ‘substantially similar’ and ‘likely to be confused with’ in the Preliminary Injunction are ambiguous.” ZURU, Inc.’s Opp’n to Pl.’s Mot. for Contempt at 2 n.1, ECF No. 124. It is unclear exactly what point ZURU, Inc. is making in this footnote, but, in any event, the use of these terms in the Preliminary Injunction Order is based on the discussion and analysis in the Ruling, where these terms are elaborated upon in detail. Also, at the hearing, ZURU, Inc. did not point to any ambiguity in the terms of the Preliminary Injunction Order; rather it argued, with respect to the Redesigned Figurines, that “it is a figure that ZURU does not believe is substantially similar to the minifigure copyright or likely to be confused with the minifigure trademark, which is the standard in the

preliminary injunction." Mot. for Contempt Hr'g Tr. at 170:18-22.

## **2. Clear and Convincing Proof of Noncompliance**

There is no question that ZURU, Inc. has engaged in "manufacturing, selling, offering for sale, distributing, displaying, or authorizing the sale of" the Redesigned Figurines. Prelim. Inj. Order at 2. The relevant inquiry here is whether the plaintiffs have established by clear and convincing evidence that the products at issue contain "unauthorized reproductions of the copyrighted and trademarked Minifigure figurine, including any figurine or image that is substantially similar to the Minifigure Copyrights or likely to be confused with the Minifigure Trademarks." Prelim. Inj. Order at 2. The plaintiffs have done so.

It is undisputed that there are disparities between the plaintiffs' Minifigure figurine and the defendant's Redesigned Figurines. But the plaintiffs have demonstrated by clear and convincing evidence that unless an ordinary observer set out to detect the disparities, that person would be disposed to overlook them and regard the aesthetic appeal of the two products as the same.

The plaintiffs' expert who testified at the hearing on the motion for a preliminary injunction, Elizabeth Knight, also testified on October 30, 2019 at the hearing on the motion for



contempt. Knight showed the results of an overlay of the plaintiffs' Minifigure figurine and the Redesigned Figurines; this was something she had also done at the hearing on the motion for a preliminary injunction with respect to the plaintiffs' Minifigure figurine and the Infringing Figurines. The results of the overlay supported her conclusion that the plaintiffs' Minifigure figurine and the defendant's Redesigned Figurines "are virtually the same to the perception of the consumer." Mot. for Contempt Hr'g Tr. at 124:11-12. Knight showed the results of an overlay from a front view, a side view, and a top view, demonstrating that the differences are noticeable only upon careful examination of the figurines. Knight also showed the results of a comparison between the Infringing Figurines and the Redesigned Figurines. She was able to demonstrate that when one looks at the material that was added to create the Redesigned Figurines and when one looks at the material that was removed in order to create the Redesigned Figurines, the differences are, in each instance, "minuscule." Id. at 126:3.

The defendant's expert, Ronald Kemnitzer, testified that the overall appearance of the Redesigned Figurines is not substantially similar to the plaintiffs' Minifigure figurine because of a number of differences. Kemnitzer agreed, however, that what is relevant is the total concept and feel: "Let me

preface this comparison by saying that it's not the comparison of individual elements that constitute a test of being substantially similar. It's a test of the overall appearance." Id. at 83:22-25.

Kemnitzer specifically discussed seven ways in which he contends the Redesigned Figurines are different from the plaintiffs' Minifigure figurine. Kemnitzer did not address whether these differences are ones that would be harder for an adult to see when buying toys for a child because an adult looks very briefly at toys, as ZURU, Inc.'s expert Richard Gottlieb testified at the hearing on the motion for a preliminary injunction. See Prelim. Inj. H'rg Tr. 153:20-22, ECF No. 65 ("An adult looks very briefly. They don't pay a lot of attention.").

First, Kemnitzer discussed the head of the Redesigned Figurines. He testified that, although the Redesigned Figurines have a cylindrical head like the Minifigure figurine, "the head also has ears and it has a shield shaped front side and it has a descending chin. So it's really different." Id. at 84:22-25.

Kemnitzer also testified that "the redesign of the head and enlarging it changes the proportions of the head to the overall stature of the figurine." Id. at 95:8-10. Kemnitzer placed significance on the fact that the proportion of the head size to the height of the LEGO Minifigure figurine is equivalent to the head size of a three-year-old child, while the proportion of the

head size to the height of the Redesigned Figurines is equivalent to the head size of a one-year-old child. However, the overall height of the plaintiffs' Minifigure figurine is 40.33mm and the overall height of the Redesigned Figurine is 41.6mm, a difference of 1.3mm. Given the overall heights of the Minifigure figurine and the Redesigned Figurines, the difference between a head that is proportioned in size to that of a three-year-old and a head that is proportioned in size to that of a one-year-old is not something that an average lay observer would notice unless that person carefully examined the figurines side-by-side. Thus, the proportion of the head size to the overall stature of the Redesigned Figurines supports the plaintiffs' position, not the defendant's.

Second, Kemnitzer testified that "the diameter of the LEGO neck is substantially different than the neck of the redesigned MAX. And the reason for that is -- the reason MAX has a ball and socket joint on the head so it can move in different ways." Id. at 85:3-6. However, the ball and socket joint on the Redesigned Figurines is not something that would be apparent to an average lay observer, i.e., an adult who is buying toys for a child, unless that person set out to detect the difference, particularly in light of the fact that the figurines are in packaging when they are displayed for sale. Nor would the difference in the diameters of the necks be a disparity that

such an average lay observer would detect under such circumstances.

Third, Kemnitzer testified about the torso of the Redesigned Figurines. He noted that “[t]he redesigned MAX figure does not have a trapezoidal figure,” id. at 85:11-12, and “if you look at the figure, the space between the side of the torso and the arm, you will see that [the torso] has a pretty substantial scoop out of it. It’s that absence of material in that area that does a couple things: It creates a visual gap between the side of the torso and the arm, and then the chamfers make the break sharper.” Id. at 85:21-86:2. However, the results of the overlay conducted by Knight showed that the disparities between the torsos are not something that an average lay observer would notice unless that person set out to detect the disparities.

Fourth, Kemnitzer testified that “in the LEGO the sides are flat and the back is flat,” id. 86:17-18, but in “the redesigned MAX figurine, the front of the torso . . . actually has a slight curvature,” id. at 86:20-21. When asked if one could see the “slight curvature” on one of the exhibits, Kemnitzer stated “[y]es, you can.” Id. at 86:23. However, the exhibits introduced at the hearing reflect that the curvature is barely perceptible. In any event, it is something that an average lay observer might

not notice even if that person had set out to detect disparities.

Fifth, Kemnitzer testified about the arms. He testified, with respect to the Minifigure figurine, that "the arms are mounted slightly below the upper surface of the torso" and "the arms at the side are uniform, pretty much uniform in thickness and configuration." Id. at 87:1-5. With respect to the Redesigned Figurines, he stated that "[t]he redesigned MAX figurine, on the other hand, has shoulders that extend well above the top of the torso and they're very bulbous. And the arms of the figurine vary substantially in changes from thick to thin." Id. at 87:6-9. However, the results of the overlay conducted by Knight reflects that, with the exception of the "bulbous" shoulders, which would not stand out to an average lay observer, i.e., someone who is looking very briefly, the differences are minuscule.

Sixth, Kemnitzer testified that "[t]he LEGO figurine sits on top of a rectangular plate and it actually is removable from it," while "[t]he torso of the redesigned figure actually rotates around the top plate 360 degrees so that he can be positioned in ways that illustrate more natural walking or scarier walking or even doing the splits." Id. at 87:14-15 and 87:18-21. However, this disparity is something that would not be apparent to an average lay observer, i.e., an adult who is

buying toys for a child, unless that person set out to detect the disparities, particularly in light of the fact that the figurines are in packaging when they are displayed for sale.

Finally, Kemnitzer testified about the legs. He testified, with respect to the Minifigure figurine, that the legs "bulge [frontwards] at the top and otherwise are rectangular with uniform thickness" and "com[e] off of the torso and mov[e] down to the leg portion without any interruption." Id. at 87:23-24 and 88:5-6. He testified, with respect to the Redesigned Figurines, that "what's happening in the leg area of the redesigned figurine, is there is a lot of open space between the legs and the top of the legs and base plate." Id. at 88:13-15. In addition, Hargus testified that the "[o]ur legs are thicker, more closely resembling actual muscle of the human. The way the bottom half fits compared to LEGO, when you look at it visually, the appearance is more like a human." Id. at 67:22-68:1. However, the results of the overlay conducted by Knight demonstrated that the differences are very minor.

Thus, the disparities pointed out by the defendant range from barely perceptible to very minor or miniscule disparities that are noticeable only if one sets out to detect them. They are, individually and in the aggregate, ones that an average lay observer, i.e., an adult who is buying toys for a child and looking briefly at the toys, would be disposed to overlook.

Kemnitzer also testified that there is not a substantial similarity between the plaintiffs' Minifigure figurine and the Redesigned Figurine because they have different persona. He stated: "I think the LEGO figurine projects a picture - a persona of a robotic, inanimate, passive and out of shape figurine." Id. at 91:22-4. He described the persona of the Redesigned Figurine as "aggressive . . . . masculine, rugged, animated, edgy." Id. at 92:18-19. Hargus also testified that various parts of the Redesigned Figurine, e.g., the head, the arms, and the joints of the hips, can move like a human. However, a side-by-side comparison of the defendant's Infringing Figurines and the Redesigned Figurines, as well as the results of the overlay conducted by Knight with respect to the Infringing Figurines and Redesigned Figurines, demonstrate that there is very little in terms of differences between those two versions of the defendant's figurines. Thus, in advancing these contentions with respect to the ability of the Redesigned Figurines to move like a human and their persona in opposition to the instant motion, ZURU, Inc. is merely reasserting arguments that were made by it in opposition to the motion for a preliminary injunction and addressed in the Ruling:

The defendant argues that the similarities between the Minifigure figurine and the Friends figurine, on the one hand, and the Infringing Figurines and the Infringing Friends Image, on the other hand, are not substantial when one makes a visual comparison. The

defendant argues: "ZURU's products have flexible joints that provide more degrees of freedom for moving limbs. Additionally, Plaintiffs' figurines utilize geometric shapes, such as the trapezoidal torso, resembling robots; whereas ZURU's products feature cut-in waists, broad shoulders, and rounded hips resembling humanoid physiques." Def.'s Mem. in Support of Mot. to Dismiss (ECF No. 31-1), at 32. Also, the defendant's expert witness, Gottlieb, testified that the ZURU Inc. MAX Build More product is "substantially different" from the Minifigure figurine because the "MAX product looks a little bit more like an action figure" whereas "the LEGO product is really more of a construction element." Prelim. Inj. Hr'g Tr. (ECF No. 65), at 153:17, 153:24-154:6; see also Def.'s Closing Arg. (ECF No. 57), at 17. However, these arguments deserve less weight than Knight's analysis in light of the fact that the standard for determining substantial similarity is whether an "ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard the aesthetic appeal the same." Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 111 (2d Cir. 2001) (emphasis added).

Ruling on Mot. for Prelim. Inj. at 12-13.

### **3. Failure to Diligently Attempt to Comply in a Reasonable Manner**

The plaintiffs have established that the defendant did not diligently attempt to comply with the Preliminary Injunction Order in a reasonable manner.

The defendant began the process of designing the Redesigned Figurines in December 2018. By early March 2019, the defendant had completed the process of developing the Redesigned Figurines. Hargus testified that she was "involved in every conversation [with Walmart] as it related to communicating any changes to the product." Mot. for Contempt Hr'g Tr. at 24:3-4.



By early April, Hargus had presented the Redesigned Figurines to Walmart.com, and Walmart.com placed orders for the Redesigned Figurines on April 27, 2019 and May 28, 2019. The required factory ship dates for those orders were June 11, 2019 and July 1, 2019, respectively. Hargus testified that the goal was for the entire program to "be up in August." Id. at 55:21-22.

Hargus was offered by the defendant as a witness who would testify about ZURU, Inc.'s efforts to comply with the Preliminary Injunction Order, the design of the Redesigned Figurines, and ZURU, Inc.'s rollout of the Redesigned Figurines. With respect to ZURU Inc.'s efforts to comply with the Preliminary Injunction Order, Hargus offered detailed testimony about the entire MAX Build More program being pulled off the shelves at Walmart stores and being put in the back of the stores in an on-hold location one week prior to Christmas. She testified about MAX Build More toys being donated by Walmart to the Boys and Girls Clubs. She testified with specificity about what Walmart charged ZURU, Inc. to remove the toys in the MAX Build More program from Walmart stores. She testified about the costs that ZURU, Inc. has incurred and will incur as a result of the donation and the destruction of toys in the MAX Build More program.

With respect to ZURU Inc.'s design and rollout of the Redesigned Figurines, Hargus testified that she was "aware of

our team's due diligence as it related to making sure that our product was completely different than LEGO product on all levels." Id. at 25:16-18. However, in response to questions from the court, Hargus conceded that she was not "involved in the specifics of the redesign outside of presenting what the redesign would be to Walmart." Id. at 64:12-14. She was able to testify only that it was her "understanding that [people at ZURU, Inc.] did their due diligence as related to the patents and other things." Id. at 64:14-16. When asked what ZURU, Inc. did after July 8, 2019 to be certain that the Redesigned Figurines were not in violation of the Preliminary Injunction Order, Hargus testified that "[t]his specific product was reviewed again to make sure that we were in contrast to the Lego product. Our team made sure that we were looking at [it], in good faith, [and] we felt that the redesign put us even further from the Lego products . . . visibly from a consumer perspective and otherwise." Id. at 65:7-12. Hargus provided no information as to any purported basis for ZURU, Inc. to be confident that it was in compliance with the Preliminary Injunction Order. Hargus had no personal knowledge of any specific steps that were taken or any questions that were considered as part of an evaluation of the Redesigned Figurines in light of the analysis and conclusions in the Ruling. In fact, there is no credible evidence that ZURU, Inc. ever took any such steps or considered

any such questions; the court cannot credit the testimony by Hargus about the Redesigned Figurines being reviewed again in light of the number of occasions during her testimony when she made statements that were subsequently revealed to be inaccurate or misleading.

Rather, ZURU Inc.'s design documents show that it started with the plaintiffs' Minifigure figurine and decided what changes to make to the plaintiffs' figurine to come up with the Redesigned Figurines, and then chose not to make any further change after the Preliminary Injunction Order and the Ruling were issued. The evidence here shows that ZURU, Inc., having geared up to distribute the Redesigned Figurines through Walmart.com, simply decided not to disrupt its launch of the Redesigned Figurines.

### **III. Willful Violation**

The plaintiffs request an award of reasonable attorneys' fees and costs associated with enforcement of the Preliminary Injunction Order. The court concludes that such an award is appropriate here.

"[C]ourts in this Circuit generally 'award the reasonable costs of prosecuting the contempt, including attorney's fees,' only where violation of a court order is found to have been willful." Manhattan Industries, Inc. v. Sweater Bee by Banff, Ltd., 885 F.2d 1, 8 (2d Cir. 1989) (quoting Canterbury Belts

Ltd. v. Lane Walker Rudkin, Ltd., 869 F.2d 34, 39 (2d Cir. 1989)). The court finds that ZURU, Inc.'s contempt was willful.

Having been enjoined in the Preliminary Injunction Order, ZURU, Inc. had an obligation to keep a "safe distance" from infringing conduct going forward. "The safe distance rule is a 'well-accepted part of the court's remedial toolkit.' It is designed to prevent a proven infringer from evading contempt charges by making only insignificant changes to the infringing mark and continuing its conduct." J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition §30:21 (5th ed. 2018); see also Oral-B Lab., Inc. v. Mi-Lor Corp., 810 F.2d 20, 24 (2d Cir. 1987) ("The court having found, at least as a preliminary matter, that Mi-Lor had infringed Oral-B's trade dress, it was Mi-Lor's duty to keep a safe distance from the line drawn by the district court's injunction.").

Here, ZURU, Inc. made no effort to keep a "safe distance" from infringing conduct after the issuance of the Preliminary Injunction Order. In fact, as discussed above, first, the results of Knight's comparison of the Infringing Figurines and the Redesigned Figurines demonstrates that the differences between them are noticeable only upon careful examination; and second, there is no evidence that ZURU, Inc. made any effort at all to avoid engaging in infringing conduct with respect to the Redesigned Figurines after the issuance of the Preliminary

Injunction Order. The reference to an infringer who attempts to “evade contempt charges by making only insignificant changes” is an accurate description of the conduct by ZURU, Inc. here, with respect to its conduct both before and after the issuance of the Ruling and the Preliminary Injunction Order.

The fact that ZURU, Inc. continued with its launch of the Redesigned Figurines, as the redesign had been finalized in March 2019, in reliance on arguments that had been rejected in the Ruling, shows that ZURU, Inc. was more concerned about being able to continue with the launch of the Redesigned Figurines than about complying with the Preliminary Injunction Order.

#### **IV. Modification of the Preliminary Injunction Order**

The plaintiffs seek an amendment to the Preliminary Injunction Order to add the following language: **“FURTHER ORDERED** that the defendant must seek the Court’s approval prior to manufacturing, selling, offering for sale, distributing, displaying or authorizing the sale of any figurine in its enjoined product lines.” Emergency Mot. for Contempt at 2, ECF No. 114. The plaintiffs argue that “nothing will control ZURU’s future actions or maintain the status quo absent modification of the [Preliminary Injunction Order], as the LEGO Group suggests.” Reply in Further Support of Emergency Mot. for Contempt at 5, ECF No. 128. The court concludes that some relief, but not in

the form of the relief requested by the plaintiffs, is appropriate.

Ordinarily, the court would presume that finding a party in contempt of a court order and requiring it to pay attorneys' fees and costs would be sufficient to ensure compliance with that court order going forward, particularly where that party is being advised by counsel. As was the case with the Preliminary Injunction Order, the court would usually conclude that it is sufficient for the opposing parties and the court to receive a sworn statement from an authorized representative of that party representing that the party is in compliance with the court order. For several reasons, the court concludes that the plaintiffs should not be limited to relying on such a declaration at this point, and that it is not prudent for the court to do so either.

First, this is the third instance in which the plaintiffs have had to address infringement by ZURU, Inc. In August 2017, ZURU, Inc., in response to a letter from counsel for the plaintiffs complaining about infringement, agreed, inter alia, that it would "remove the phrase 'Zuru Mayka Lego Tape' or any other combination that may suggest our tape comes from LEGO." Mot. for TRO and Prelim. Inj., Ex. 8, ECF No. 7-10. The plaintiffs filed a copy of the letter from the defendant

documenting this incident in support of their motion for a temporary restraining order.

Second, just prior to the plaintiffs filing this lawsuit, in-house counsel for ZURU, Inc. wrote to the plaintiffs' counsel stating, "I can confirm that we will recall product currently with Walmart, and that we have started to action that today." Mot. for TRO and Prelim Inj., Ex. 11, ECF No. 7-13. However, during her testimony on October 30, 2019, both on direct and during cross-examination, Hargus made it clear that this representation by ZURU's counsel was incorrect. Hargus testified that there was no conversation with Walmart until after the court issued the temporary restraining order. See Mot. for Contempt Hr'g Tr. 12:12-15; 27:23-24; 29:3-10.

Third, testimony by Hargus on October 30, 2019 also shows that ZURU, Inc. was in violation of the temporary restraining order with respect to the packaging for its Mayka Toy Block Tape during the entire time the temporary restraining order was in effect. On direct, Hargus testified: "So the Mayka products were not originally part of the first process in the latter part of last year to the earlier part of this year. But in July, there was an update to the process. We were asked to pull our . . . Mayka line, which contains many SKUs, many items. Those were then pulled on August 1." Id. at 20:23-21:3. Hargus confirmed this fact on cross-examination:

Q. When did you first ask Walmart.com to take images of Mayka tape infringing products, the ones that had figurines on it, in this process?

A. I think it was midpoint July.

Id. at 40:6-9.

Fourth, on April 11, 2019, counsel for ZURU, Inc. wrote to counsel for the plaintiffs in response to concerns expressed by the plaintiffs' counsel about ZURU, Inc.'s "(1) display or otherwise offer for sale of Infringing Products, including figurines/images that are substantially similar to the Minifigure Copyrights or likely to be confused with the Minifigure Trademarks [and] (2) active solicitation of customers by encouraging general inquiries related to said Infringing Products." Pls.' Contempt Hr'g Ex. 1. Counsel for ZURU, Inc. stated, inter alia, that "ZURU has not made any 'offer for sale' or 'active solicitation' of its MAX Figures." Id. Hargus's testimony shows that this representation by ZURU, Inc.'s counsel was incorrect. Hargus testified:

Q. As of April 2019, it is not true that ZURU has not made any offer for sale or active solicitation of its MAX figures, because in fact you already had; isn't that right?

A. Of our redesigned figures.

Q. Correct.

A. Correct. Redesigned figures.

Id. at 36:8-14.



Fifth, as discussed above, notwithstanding conclusory assertions by Hargus, there is no credible evidence that ZURU, Inc. ever took any steps reasonably calculated to ensure that the Redesigned Figurines were not in violation of the Preliminary Injunction Order. Rather, it simply decided to not disrupt its launch of the Redesigned Figurines regardless of the Preliminary Injunction Order and the analysis and the conclusions in the Ruling.

Based on the foregoing, the court concludes that ZURU, Inc. has been persistent in its infringing activity, that it cannot be relied upon to keep a "safe distance" from infringing activity, and that the plaintiffs should not be required to simply rely on representations of ZURU, Inc. or its counsel that ZURU, Inc. is in compliance with the Preliminary Injunction Order. The court further concludes that it is appropriate to require ZURU, Inc. to file a notice with the court, which shall include detailed information about any such figurine, at least 30 days prior to manufacturing, selling, offering for sale, distributing, displaying, or authorizing the sale of any figurine in its MAX Build More product line or in any replacement for the MAX Build More product line. This will allow sufficient time for the court to receive and act on any application for a temporary restraining order.

Such an approach avoids a situation where ZURU, Inc. develops a new figurine the plaintiffs agree is non-infringing, but ZURU, Inc. nevertheless has to wait for approval from the court. It is also consistent with the standard set forth in Dole Fresh Fruit Co. v. United Banana Co., 821 F.2d 106 (2d Cir. 1987), with respect to use of civil contempt to ensure compliance with a court order, namely that, before imposing coercive sanctions the court must "explicitly consider (1) the character and magnitude of the harm threatened by the continued contumacy; (2) the probable effectiveness of any suggested sanction in bringing about compliance; and (3) the contemnor's financial resources and the consequent seriousness of the burden of the sanction upon him." Id. at 110. Here, one, as a result of ZURU, Inc.'s demonstrated lack of commitment to keeping a "safe distance" from infringing conduct, the plaintiffs would be required to monitor the marketplace to determine whether ZURU, Inc. is manufacturing, selling, offering for sale, distributing, displaying, or authorizing the sale of yet another version of its MAX Build More figurines relying on theories that have already been rejected in the Ruling and in this order. Two, this approach should be effective in bringing about compliance because it will result in advance notice to the plaintiffs and an opportunity for them to address any infringing ZURU, Inc. figurine before it is in the marketplace. Three, under the

circumstances of this case, this approach does not result in any significant burden, financial or otherwise, upon ZURU, Inc., and any burden that does result is the consequence of its own actions.

**V. CONCLUSION**

For the reasons set forth above, The LEGO Group's Emergency Motion for Contempt (ECF No. 114) is hereby GRANTED. It is hereby ORDERED as follows:

- 1) ZURU, Inc. shall cease manufacturing, selling, offering for sale, distributing, displaying or authorizing the sale of Redesigned Figurines and Redesigned Images;
- 2) ZURU, Inc. shall take actions to ensure the removal of the Redesigned Figurines and Redesigned Images from the market, including recalling, to the extent it has the right to do so, all Redesigned Figurines and Redesigned Images from its retailer, Walmart, and any other distributor of its products in the United States, and filing on the docket a declaration detailing those actions no later than December 4, 2019;
- 3) During the pendency of this case and until further order of the court, ZURU, Inc. must file a notice with the court, which shall include detailed information about any such figurine, at least 30 days prior to manufacturing, selling, offering for sale, distributing, displaying, or authorizing

the sale of any figurine in its MAX Build More product line or in any replacement for the MAX Build More product line; and

- 4) ZURU, Inc. shall pay the plaintiffs' costs, expenses, and fees, including but not limited to reasonable attorneys' fees, incurred by the plaintiffs in connection with their motion for contempt and ZURU, Inc.'s Motion for Order that Redesigned Figurines Do Not Violate the Preliminary Injunction (ECF No. 112). The plaintiffs shall file their application for costs, expenses and fees within 30 days.

It is so ordered.

Dated this 20<sup>th</sup> day of November 2019, at Hartford,  
Connecticut.

/s/ AWT  
\_\_\_\_\_  
Alvin W. Thompson  
United States District Judge

# **Exhibit E**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: Ryaa

Control No. 90/014,339

Patent No.: D771,200

Filed: May 22, 2015

For: BUILDING BLOCK FOR A TOY  
BUILDING SET

Request for Reexamination under  
U.S.C. §§ 302–307 and 37 C.F.R. § 1.510

Mail Stop *Ex Parte* Reexamination  
ATTN: Central Reexamination Unit  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

**UPDATED REQUEST FOR *EX PARTE* REEXAMINATION OF  
U.S. PATENT NO. D771,200**

Dear Director Iancu:

Pursuant to 37 C.F.R. § 1.510, the requester, ZURU Inc., respectfully requests reexamination of the claim of U.S. Patent No. D771,200 (Ex. PAT-A; “the D’200 patent”). As requested by the Office, Requester includes a statement regarding lack of estoppel pursuant to 37 C.F.R. § 1.510 (b)(6) in its Request.

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**I. LIST OF EXHIBITS**

The exhibits to the present request are arranged in three groups: prior art (“PA”), relevant patent (“PAT”) and other documents (“OTH”).

**A. Prior art (PA)**

- PA-SB08 A/B Office Form SB/08A/B
- PA-A U.S. Patent No. D312,105 to Olsen *et al.*
- PA-B Chinese Design Patent No. 3066116 (“Nelson”)
- PA-C Chinese Design Patent No. 301371337 (“Hui”)
- PA-D Australian Patent AU 106170 (“AU170”)
- PA-E U.S. Patent No. D639,870 to Madsen (“Madsen”)
- PA-F U.S. Patent No. 6,554,676 to Bach (“Bach”)
- PA-G U.S. Patent No. 7,625,261 to Andersen (“Andersen”)

**B. Patent (PAT)**

- PAT-A U.S. Patent No. D771,200 to Richmond (“the D’200 patent”)

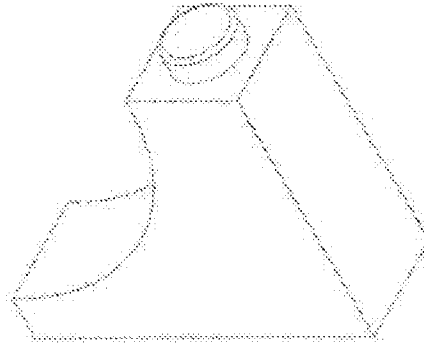
**C. Other documents (OTH)**

- OTH-A LEGO® Website Selling “Inside Bow” Block Identical to the D’200 Patent  
<https://shop.lego.com/en-US/Pick-a-Brick>
- OTH-B Lego Puppy Playground Website  
<https://shop.lego.com/en-US/product/Puppy-Playground-41303>
- OTH-C Declaration of Timothy Fletcher (“Fletcher Decl.”)
- OTH-D C.V. of Timothy Fletcher
- OTH-E Declaration of LEGO Group’s Expert, Elizabeth B. Knight (“Knight Decl.”)
- OTH-F LEGO Group Reply Arguments in Litigation
- OTH-G Declaration of Michael Johnston
- OTH-H Australian Design Registration No. 106170 (170 Design) on the ADDS Database
- OTH-I Page 5 of the Australian Official Journal of Designs, volume 30, number 7, published on 24 March 2016
- OTH-J The Australian Official Journal of Designs, volume 3, number 25, January 4, 1990

## II. FACTUAL, PROCEDURAL, AND CLAIM CONSTRUCTION BACKGROUND

### A. Overview of the D'200 Patent and Its Prosecution

The D'200 patent, filed on May 22, 2015, discloses an interlocking building block toy and is assigned to LEGO A/S, a Danish company. FIG. 2 illustrates a perspective view of the toy:



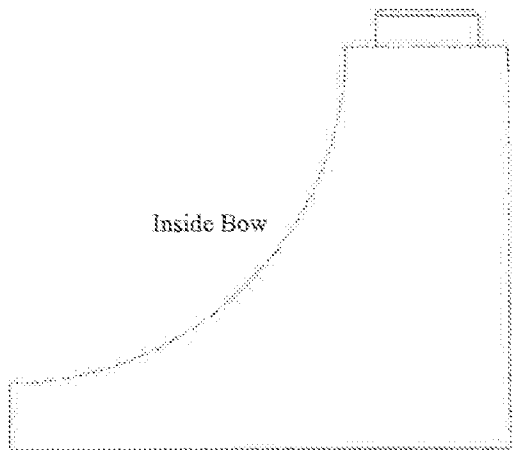
The D'200 patent issued without any prior art rejections, but received one rejection for indefiniteness under 35 U.S.C. § 112(a) and (b). The examiner required making some lines dashed in FIG. 6 and correction of other informalities. The examiner made no prior art rejections, but cited several references, stating, “[t]he references cited but not applied are considered cumulative art related to the subject matter of the claimed design.” Appl. no. 29/527,982, non-final office action dated February 12, 2016, p. 5. The amendments are only pertinent in that they clarified the scope of FIG. 6 to change the top of the bottom cavity to dashed lines. The Patent Office allowed the claim in the next action after the amendment.

### B. Claim Construction

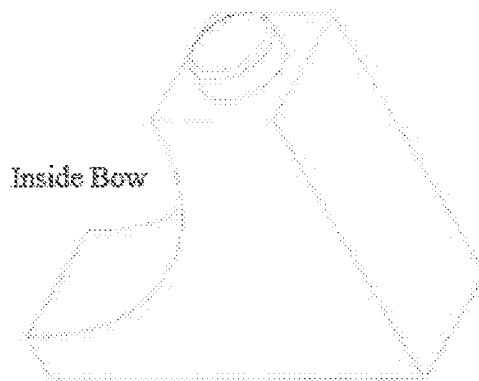
Design patents typically are claimed as shown in drawings, and claim construction is adapted accordingly. *Egyptian Goddess*, 543 F.3d at 679. A detailed verbal description of the claim, as is done often in the case of utility patents, is not needed. *Id.* (citing *Contessa Food Prods., Inc.*, 282 F.3d 1370, 1377 (Fed. Cir. 2002) (approving district court’s construction of the asserted claim as meaning “a tray of a certain design as shown in Figures 1-3”). Indeed, “the preferable course ordinarily will be for [us] not to attempt to ‘construe’ a design patent claim by providing a detailed verbal description of the claimed design.” *Egyptian Goddess*, 543 F.3d at 679. The claim of the D'200 Patent recites, “the ornamental design for a building block for a toy building set, as shown and described.” The D'200 Patent shows a building block that includes four general components: an inside bow, a single-stud width, a stud with a beveled top edge, and a bottom cavity comprising ribs for coupling the bottom cavity with three studs. (FIGS. 1–7); *see also*, *See OTH-C*, Fletcher Decl. at ¶ 12.

**1. Inside Bow on Front Surface**

The D'200 patent claims generally rectangular sides with an inside bow shape on the front face, which is viewable from the side in FIG. 3:



D'200, FIG. 3

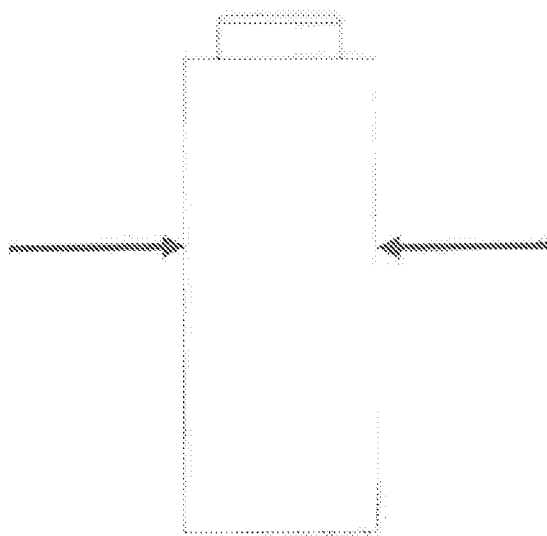


D'200, FIG. 2

The inside bow could also be characterized as an upside-down half-arch. However, the patent owner sells the block as an “inside bow.” Ex. OTH-A. Requester therefore refers to the shape as such.

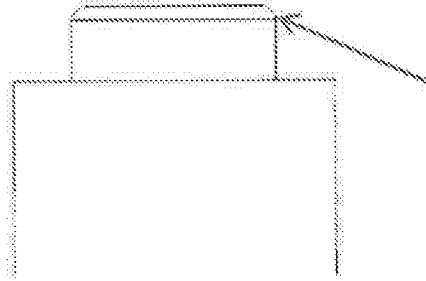
**2. Single-Stud Width**

The D'200 patent claims a toy block having a single-stud width, such that it is configured to mate with a row of 1x3 studs. The 3-stud length is discussed further below concerning the cavity. An annotated version of FIG. 5 is reproduced below.



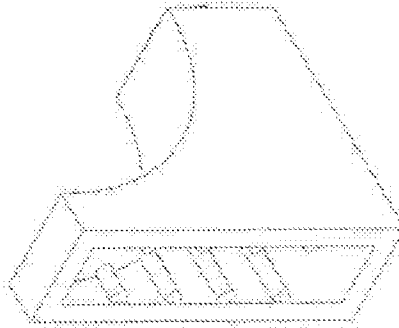
**3. Stud with Beveled Top Edge**

The top edge of the stud claimed by the D'200 patent includes a single stud (also called a knob) that appears to be mitered or beveled around the top edge of the stud. Below is a portion of FIG. 5 that illustrates this beveled stud, with an arrow for emphasis:

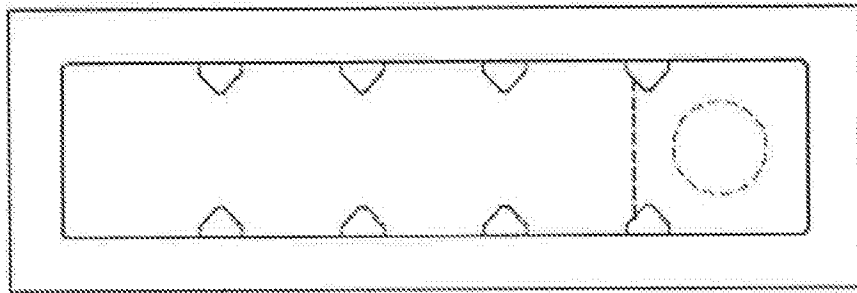


**4. Bottom Cavity Comprising Ribs for Coupling the Bottom Cavity with Three Studs**

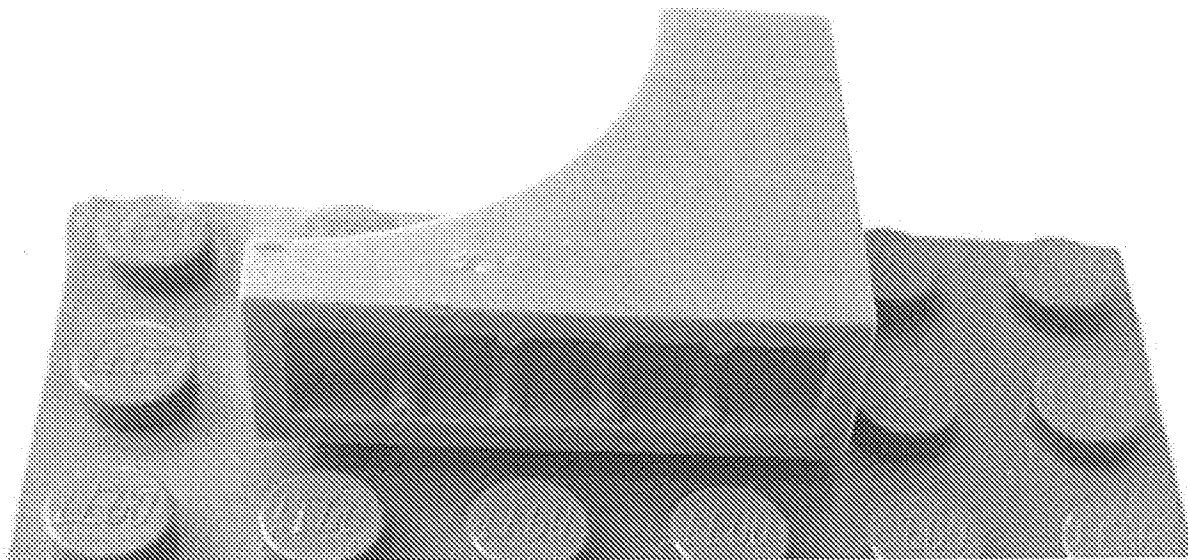
The bottom portion includes a cavity for providing a press-fit with three studs. FIG. 7 illustrates this bottom cavity to couple with three studs of one or more additional blocks:



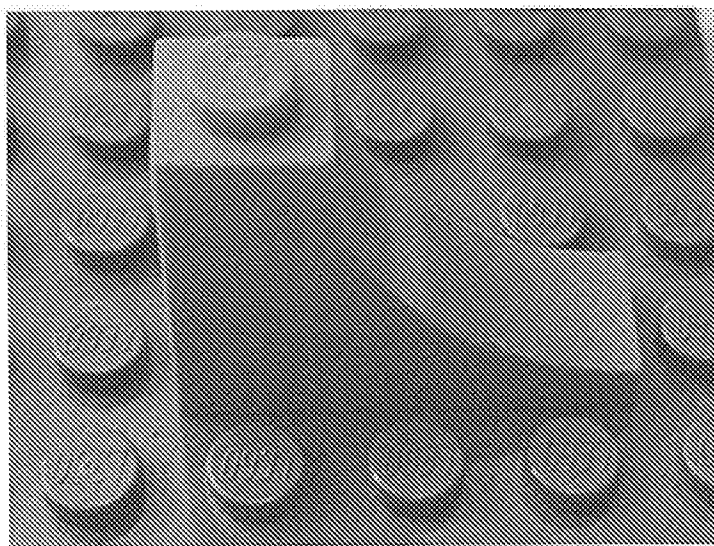
The bottom cavity has ribs that are purely for providing a press-fit with three studs. FIG. 6 illustrates this bottom cavity having ribs to connect in a press-fit with three studs:



The photograph below illustrates a LEGO® block that is identical to the block described by the D’200 patent and illustrates how three studs can functionally mate with eight ribs:



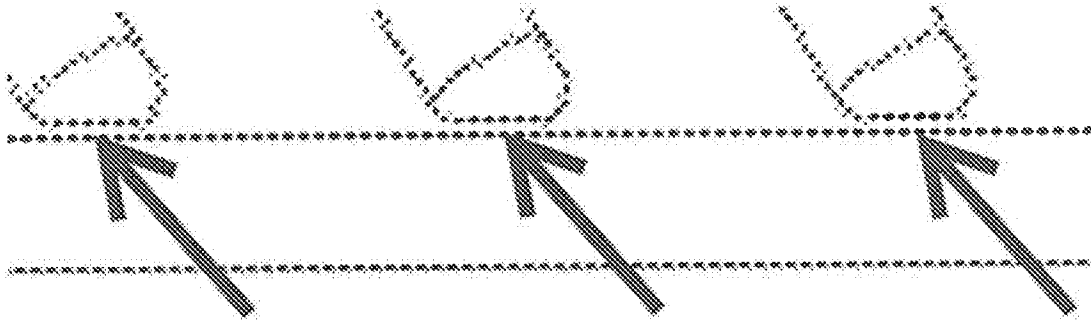
These ribs are purely functional. They provide a means for a secure press-fit between the inside bow block and studs on one or more additional blocks. The studs mate with the ribs to prevent the block from moving from side to side, ensuring that the block remains in one place in between adjacent studs:



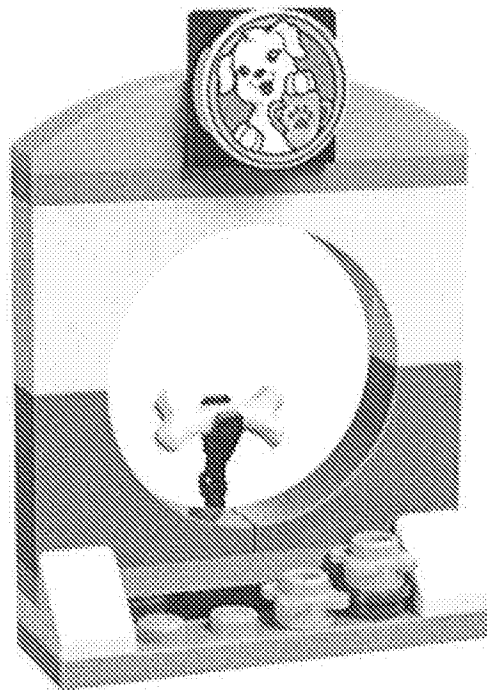
These ribs therefore do not form a part of the claimed design. *See Egyptian Goddess*, 543 F.3d at 680 (“other issues that bear on the scope of the claim ... include ... distinguishing between those features of the claimed design that are ornamental and those that are purely functional”); *see also In re Garbo*, 287 F.2d 192, 194 (CCPA 1961) (“the design must have an unobvious appearance

distinct from that dictated solely by functional considerations”) and OTH-C, Fletcher Decl. at ¶¶ 19–22.

The ribs are recessed within the cavity such that they are hidden during normal use of the block, which further demonstrates that the ribs are functional, not ornamental. Both the figure of the actual block above and FIG. 7 of the D’200 patent, below with emphasis added, illustrate that the ribs in the cavity are recessed and hidden.

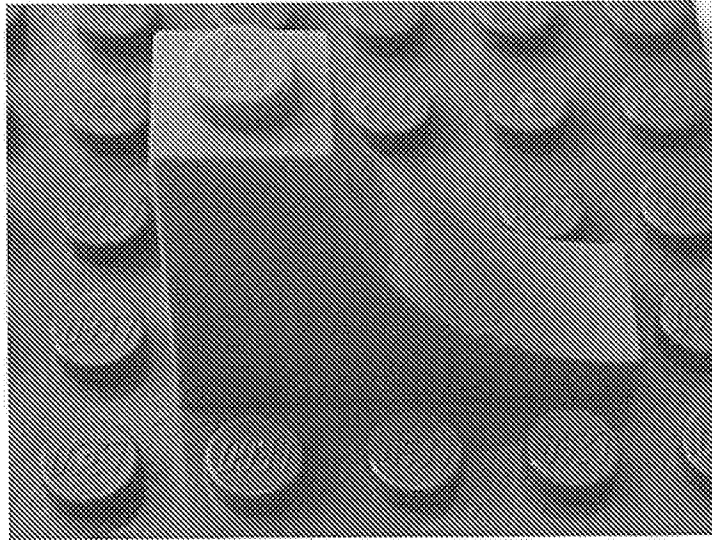


The ribs are not visible at all when the block is mated with three studs during normal use of the block, such as in an example construction set below that uses this block:



<https://shop.lego.com/en-US/product/Puppy-Playground-41303> (Ex. OTH-B)

See also:



The LEGO® website, which sells the claimed block, does not contain any pictures of these ribs. See e.g., Ex. OTH-A. The ribs and cavity are therefore functional because they are not a visible part of the design when used as intended.

Section 1504.03 of the MPEP explains that the patent owner cannot rely on such functional or hidden features for patentability:

When a claim is rejected under 35 U.S.C. 103 as being unpatentable over prior art, features of the design which are functional and/or hidden during end use may not be relied upon to support patentability. “[A] design claim to be patentable must also be ornamental; and functional features or forms cannot be relied upon to support its patentability.” See *Jones v. Progress, Ind. Inc.*, 119 USPQ 92, 93 (D. R.I. 1958). “It is well settled that patentability of a design cannot be based on elements which are concealed in the normal use of the device to which the design is applied.” See *In re Cornwall*, 230 F.2d 457, 459, 109 USPQ 57, 58 (CCPA 1956); *In re Garbo*, 287 F.2d 192, 129 USPQ 72 (CCPA 1961). It is not necessary that prior art be relied upon in a rejection under 35 U.S.C. 103 to show similar features to be functional and/or hidden in the art. However, examiners must provide evidence to support the *prima facie* functionality of such features. Furthermore, hidden portions or functional features cannot be relied upon as a basis for patentability. If applicant wishes to rely on functional or hidden features as a basis for patentability, then the same standard for establishing ornamentality under 35 U.S.C. 171 must be applied before these features can be given any patentable weight. See MPEP § 1504.01(c), subsection I.

This request presents a *prima facie* case of lack of ornamentality of the abovementioned ribs. MPEP § 1504.01(c). Therefore, “[i]t is not necessary for the examiner to cite or apply prior art to show that functional and/or hidden features are old in the art as long as the examiner has properly

relied on evidence to support the *prima facie* lack of ornamentality of these individual features.” MPEP § 1504.02.

LEGO itself admits that such ribs and cavities are functional. Ex. PA-F; U.S. Patent No. 6,554,676 (patent issued to Lego A/S) at 4:24–29 (ribs “just have a guiding function and thus essentially just contribute to defining the position of the coupling studs, and which contribute to the coupling force between interconnected elements to a less or insignificant degree.”); *see also*, 3:32–37, and 4:49–32 (“coupling ribs 36 may be arranged in selected positions on the walls where it is expedient to have coupling force.”). The patent owner therefore admits that the ribs are functional and lack ornamentality. *See* MPEP §§ 2217.III and 2258.

LEGO also admitted during litigation that studs and cavities such as the one of the D’200 patent are functional. OTH-E at ¶ 58 (“I understand that the LEGO Group does not contest that the bottom of the feet and holes on the backside of the legs are functional in that they can facilitate attachment to a base plate or brick.”). LEGO also admitted that recesses used to affix construction pieces together are functional. OTH-E at 2 (FN4). The examiner may rely on these admissions to determine that the ribs and cavity are functional, *i.e.*, not part of the claimed design, and reject the claims.

### III. REQUIREMENTS FOR *EX PARTE* REEXAMINATION UNDER 37 C.F.R. § 1.510

Requester satisfies each requirement for *ex parte* reexamination of the D’200 patent as stated below.

**A. 37 C.F.R. § 1.510 (b)(1): Statement Pointing Out Each Substantial New Question of Patentability**

Please Section V below.

**B. 37 C.F.R. § 1.510 (b)(2): Detailed Explanation of the Pertinence and Manner of Applying the Prior Art**

Please see Section VI below.

**C. 37 C.F.R. § 1.510 (b)(3): Copy of Every Patent or Printed Publication Cited against the Claims**

References PA-A through PA-G are also listed on Exhibit PTO–SB/08 (*i.e.*, Form PTO–SB/08). Each of these references constitutes effective prior art on the claims of the D’200 patent under 35 U.S.C. § 103 as explained in greater detail below.



**D. 37 C.F.R. § 1.510 (b)(4): Copy of the Entire Patent**

A full copy of U.S. Patent No. D771,200 is submitted herein as Exhibit PAT-A under 37 C.F.R. § 1.510(b)(4).

**E. 37 C.F.R. § 1.510 (b)(5): Certification That a Copy of the Request Has Been Served in Its Entirety on the Patent Owner**

A complete copy of this request is being served on the patent owner under 37 C.F.R. § 1.510(b)(5) at the correspondence address in PAIR on this date:

DAY PITNEY LLP  
One Canterbury Green  
201 Broad Street  
Stamford, CT 06901

Requester also served a courtesy copy to patent owner's counsel at the email addresses below:

[eaalquist@daypitney.com](mailto:eaalquist@daypitney.com)  
[etevelde@daypitney.com](mailto:etevelde@daypitney.com)  
[mraubeson@daypitney.com](mailto:mraubeson@daypitney.com)

**F. 37 C.F.R. § 1.510 (b)(6): Certification That Requester Is Not Estopped from Challenging the D'200 Patent**

Requester, ZURU Inc., certifies the statutory estoppel provisions of 35 U.S.C. 315(e)(1) or 35 U.S.C. 325(e)(1) do not prohibit the requester from filing this *ex parte* reexamination request.

**G. 37 C.F.R. § 1.510 (a): Fee for Requesting Reexamination**

Under 37 C.F.R. § 1.510(a), the reexamination fee has been paid as part of the EFS-WEB submission. Any deficiency or overpayment may be debited/credited to Deposit Account No. 19-3140.

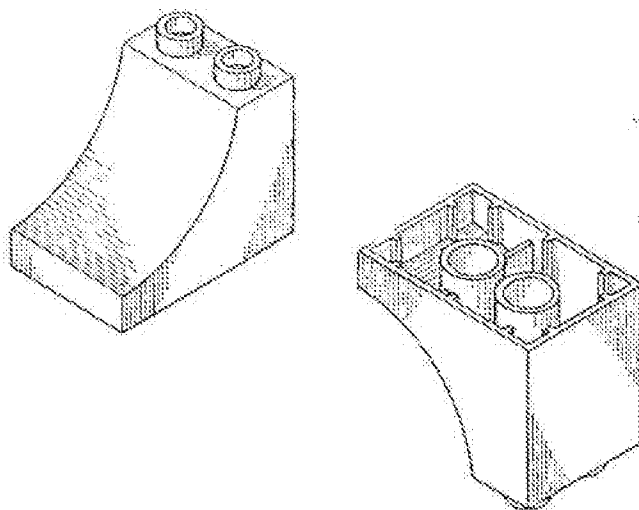
**H. Related Proceedings**

None.

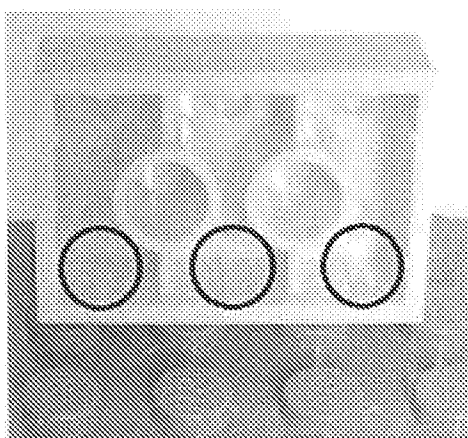
**IV. SUMMARY OF THE PRIOR ART**

A brief description of the prior art relied upon in this reexamination appears below.

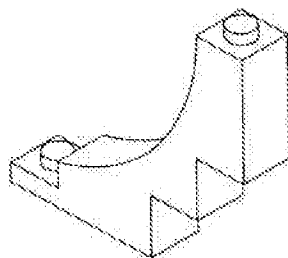
**A. U.S. Patent No. D312,105 to Olsen *et al.* (Ex. PA-A; “Olsen”)**



Olsen was filed on May 9, 1989, and issued on November 13, 1990. Olson is prior art under 35 U.S.C. § 102(a)(1) and (2). Olsen discloses a “toy building element” (*i.e.*, block) having an inside bow. *See* OTH-C, Fletcher Decl. at ¶ 13–18. The block has two studs with holes in them. The block also has a 3-stud length. The figure below illustrates a similar configuration to Olson, having two tubes and ribs that mate with three studs, and the three circles illustrate where the studs mate with the ribs and tubes:



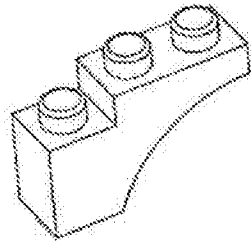
**B. Chinese Design Patent No. 3066116 to Robert Nelson (Ex. PA-B; “Nelson”)**



Nelson, three-dimensional diagram

Nelson was published on October 15, 1997, and is prior art under 35 U.S.C. § 102(a)(1) and (2). It discloses a toy block having an inside bow. The block has a 1-stud width.

C. Chinese Design Patent No. 301371337 (Ex. PA-C; “Hui”)



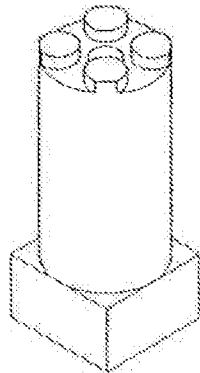
Hui, three-dimensional diagram



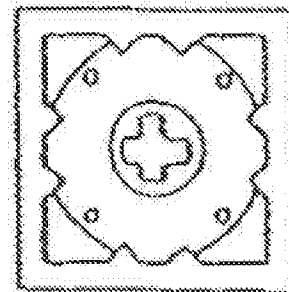
Hui, right view

Hui was published on October 27, 2010, and is prior art under 35 U.S.C. § 102(a)(1) and (2). Hui discloses a construction block having studs with a beveled top edge. The construction block has a 1-stud width and a 3-stud length.

D. Australian Patent AU 106170 (Ex. PA-D; “AU170”)



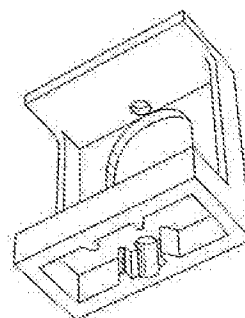
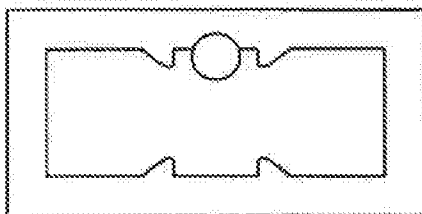
AU170, FIG. 1



AU170, FIG. 4

AU170 was filed on May 8, 1989, issued on December 6, 1989, and published on January 4, 1990. *See* OTH-G–OTH-J. AU170 is prior art under 35 U.S.C. § 102(a)(1) and (2). AU170 also discloses a “toy building element.” AU170 discloses ribs with pointed ends designed to secure the block when placed on top of studs.

**E. U.S. Patent No. D639,870 to Madsen (Ex. PA-E; “Madsen”)**



Madsen was filed on July 29, 2010, and issued on June 14, 2011. Madsen is prior art under § 102(a)(1) and (2). Madsen discloses pointed ribs designed to secure the toy building when placed on top of studs.

**V. STATEMENTS ESTABLISHING SUBSTANTIAL NEW QUESTIONS OF PATENTABILITY (“SNQs”) OF THE CLAIM**

This request contains rationale for each SNQ based on the cited patents, and a separate detailed explanation of the pertinence and manner of applying the prior art patents to the challenged claims. Olsen as a primary reference, in combination with one or more of Nelson, Hui, AU107, or Madsen, presents several SNQs, as described below

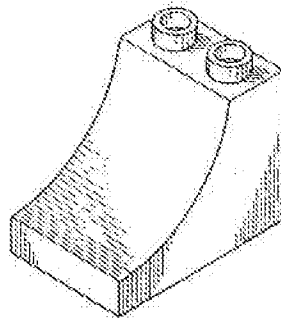
**A. SNQ 1: Olsen in Combination with Nelson Establishes an SNQ Regarding the Claim of the D’200 Patent under 35 U.S.C. § 103**

The new, non-cumulative, and not previously considered arguments with respect to Olsen as a primary reference in combination with Nelson presents and SNQ. The examiner cited Olsen during prosecution but did not discuss any references on the record, except to say, “[t]he references cited but not applied are considered cumulative art related to the subject matter of the claimed design.” Appl. no. 29/527,982, non-final office action dated February 12, 2016, p. 5. Nelson was not before the examiner during prosecution. None of the prior art discussed during prosecution included a 1-stud width block with an inside bow shape like that of the D’200 patent.

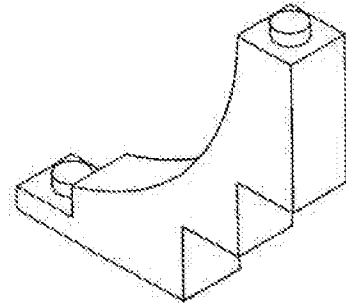
Each of the D’200 patent, Olsen, and Nelson are so related that the appearance of features shown in one would suggest the application of those features to the other. *See In re Rosen*, 673 F.2d 388, 213 USPQ 347 (CCPA 1982); *In re Carter*, 673 F.2d 1378, 213 USPQ 625 (CCPA 1982), and *In re Glavas*, 230 F.2d 447, 109 USPQ 50 (CCPA 1956). Each of the D’200 patent, Olsen, and Nelson have an inside bow shape, and Nelson teaches having a 1-stud width, rather than the 2-stud width of Olsen. This is an SNQ.



D'200, FIG. 2



Olsen, FIG. 1



Nelson, three-dimensional diagram

Olsen was not discussed on the record, but to the extent it was previously considered, this requests present it in a new light, as described further in § VI.D.1 below, and at least because the Office never considered Nelson.

These design teachings of Olsen in combination with Nelson were not cited, considered or discussed on the record by the examiner during prosecution of the D'200 patent. An examiner would have considered the new design teachings of Olsen in combination with Nelson important in deciding the patentability of the claim of the D'200 patent. The new design teachings of Olsen in combination with Nelson are not cumulative of any teachings discussed or suggested during the original prosecution of the D'200 patent. Therefore, Olsen in combination with Nelson establishes an SNQ with respect to the claim of the D'200 patent.

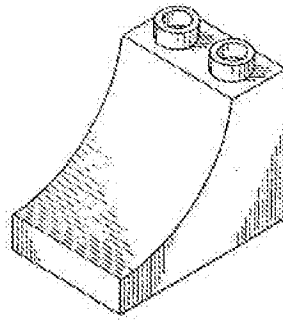
**B. SNQ 2: Olsen in Combination with Nelson and Hui Establishes an SNQ Regarding the Claim of the D'200 Patent under 35 U.S.C. § 103**

The new, non-cumulative, and not previously considered arguments with respect to Olsen as a primary reference in combination with Nelson and Hui presents an SNQ. The examiner cited Olsen during prosecution but did not discuss any references on the record, except to say, “[t]he references cited but not applied are considered cumulative art related to the subject matter of the claimed design.” Appl. no. 29/527,982, non-final office action dated February 12, 2016, p. 5. Nelson and Hui were not before the examiner during prosecution. None of the prior art discussed during prosecution taught a stub with a curved top edge.

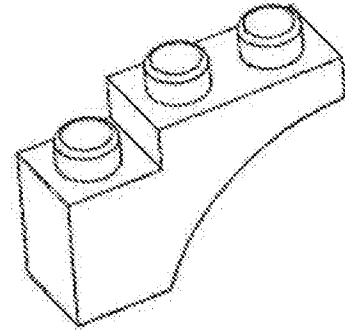
Each of the D'200 patent, Olsen, Nelson, and Hui are so related that the appearance of features shown in one would suggest the application of those features to the other. *See In re Rosen*, 673 F.2d 388, 213 USPQ 347 (CCPA 1982); *Carter*, 673 F.2d 1378, and *Glavas*, 230 F.2d 447. Each of the D'200 patent, Olsen, Nelson, and Hui have an inside bow shape, and Hui teaches a block having a stud with a beveled top edge rather than the hollow stud of Olsen. This is an SNQ.



D'200, FIG. 2



Olsen, FIG. 1



Hui, three-dimensional diagram

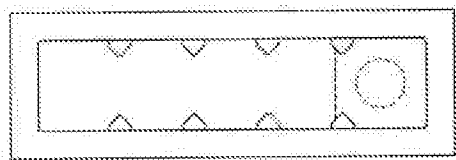
Olsen was not discussed on the record, but to the extent it was previously considered, this requests present it in a new light, as described further below and at least because the Office never considered Nelson or Hui.

These design teachings of Olsen in combination with Nelson and Hui were not cited, considered or discussed on the record by the examiner during prosecution of the D'200 patent. An examiner would have considered the new design teachings of Olsen in combination with Nelson and Hui important in deciding the patentability of the claim of the D'200 patent. The new design teachings of Olsen in combination with Nelson and Hui are not cumulative of any teachings discussed or suggested during the original prosecution of the D'200 patent. Therefore, Olsen in combination with Nelson and Hui establishes an SNQ with respect to the claim of the D'200 patent.

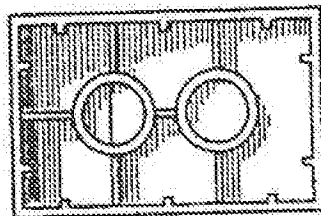
**C. SNQ 3: Olsen in Combination with Nelson, Hui, and AU170 Establishes an SNQ Regarding the Claim of the D'200 Patent under 35 U.S.C. § 103**

The new, non-cumulative, and not previously considered arguments with respect to Olsen as a primary reference in combination with Nelson, Hui, and AU170 presents an SNQ. The examiner cited Olsen during prosecution but did not discuss any references on the record, except to say, “[t]he references cited but not applied are considered cumulative art related to the subject matter of the claimed design.” Appl. no. 29/527,982, non-final office action dated February 12, 2016, p. 5. Nelson, Hui, and AU170 were not before the examiner during prosecution.

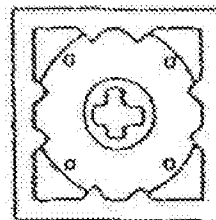
Each of the D'200 patent, Olsen, Nelson, Hui, and AU170 are so related that the appearance of features shown in one would suggest the application of those features to the other. *See Rosen*, 673 F.2d 388; *Carter*, 673 F.2d 1378; and *Glavas*, 230 F.2d 447. Each of the D'200 patent, Olsen, Nelson, Hui and AU170 are compatible, connectable construction blocks and AU170 teaches pointed ribs in the cavity rather than the rectangular ribs of Olsen. This is an SNQ.



D'200 FIG. 6



Olsen, FIG. 4



AU170, FIG. 4

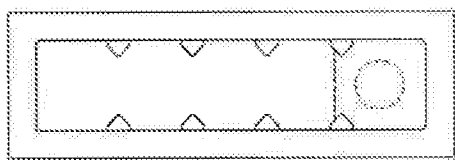
Olsen was not discussed on the record, but to the extent it was previously considered, this requests present it in a new light, as described further below and at least because the Office never considered Nelson, Hui, or AU170.

These design teachings of Olsen in combination with Nelson, Hui, and AU170 were not cited, considered or discussed on the record by the examiner during prosecution of the D'200 patent. An examiner would have considered the new design teachings of Olsen in combination with Nelson, Hui, and AU170 important in deciding the patentability of the claim of the D'200 patent. The new design teachings of Olsen in combination with Nelson, Hui, and AU170 are not cumulative of any teachings discussed or suggested during the original prosecution of the D'200 patent. Therefore, Olsen in combination with Nelson, Hui, and AU170 establishes an SNQ with respect to the claim of the D'200 patent.

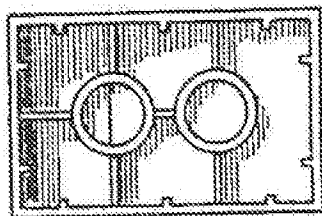
**D. SNQ 4: Olsen in Combination with Nelson, Hui, and Madsen Establishes an SNQ Regarding the Claim of the D'200 Patent under 35 U.S.C. § 103**

The new, non-cumulative, and not previously considered arguments with respect to Olsen as a primary reference in combination with Nelson, Hui, and Madsen presents an SNQ. The examiner cited Olsen during prosecution but did not discuss any references on the record, except to say, “[t]he references cited but not applied are considered cumulative art related to the subject matter of the claimed design.” Appl. no. 29/527,982, non-final office action dated February 12, 2016, p. 5. Nelson, Hui, and Madsen were not before the examiner during prosecution.

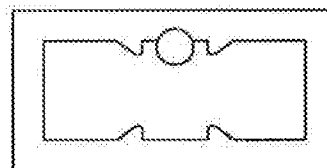
Each of the D'200 patent, Olsen, Nelson, Hui, and Madsen are so related that the appearance of features shown in one would suggest the application of those features to the other. See *Rosen*, 673 F.2d 388; *Carter*, 673 F.2d 1378; and *Glavas*, 230 F.2d 447. Each of the D'200 patent, Olsen, Nelson, Hui and Madsen are compatible, connectable construction blocks and Madsen teaches pointed ribs in the cavity rather than the rectangular ribs of Olsen. This is an SNQ.



D'200 FIG. 6



Olsen, FIG. 4



Madsen, FIG. 4

Olsen was not discussed on the record, but to the extent it was previously considered, this requests present it in a new light, as described further below and at least because the Office never considered Nelson, Hui, or Madsen.

These design teachings of Olsen in combination with Nelson, Hui, and Madsen were not cited, considered or discussed on the record by the examiner during prosecution of the D'200 patent. An examiner would have considered the new design teachings of Olsen in combination with Nelson, Hui, and Madsen important in deciding the patentability of the claim of the D'200 patent. The new design teachings of Olsen in combination with Nelson, Hui, and Madsen are not cumulative of any teachings discussed or suggested during the original prosecution of the D'200 patent. Therefore, Olsen in combination with Nelson, Hui, and Madsen establishes an SNQ with respect to the claim of the D'200 patent.

## VI. MANNER OF APPLYING THE CLAIMS REQUIRED BY 37 C.F.R. § 1.51 (B)(2)

### A. Legal Standard

In the context of design patents, “the ultimate inquiry under section 103 is whether the claimed design would have been obvious to a designer of ordinary skill who designs articles of the type involved.” *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1380-81 (Fed. Cir. 2009) (quoting *Durling v. Spectrum Furniture Co.*, 101 F.3d 100, 103 (Fed. Cir. 1996)). To answer this question, the Office must first determine “whether one of ordinary skill would have combined teachings of the prior art to create the same overall visual appearance as the claimed design.” *Durling*, 101 F.3d at 103. That inquiry involves a two-step process. First, the Office must identify “a single reference, ‘a something in existence, the design characteristics of which are basically the same as the claimed design.’” *Id.* (quoting *In re Rosen*, 673 F.2d 388, 391 (CCPA 1982)). The “basically the same” test requires consideration of the “visual impression created by the patented design as a whole.” *Id.* We have noted that “the trial court judge may determine almost instinctively whether the two designs create basically the same visual impression,” but “must communicate the reasoning behind that decision.” *Id.*



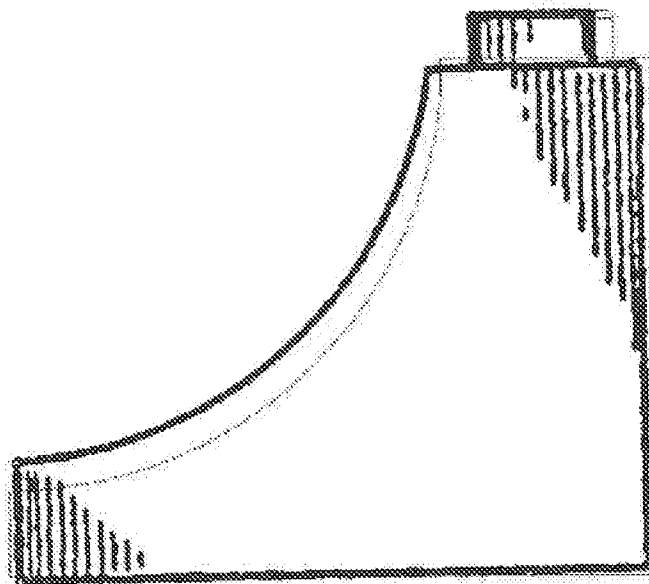
Once the primary reference is found, other “secondary” references “may be used to modify it to create a design that has the same overall visual appearance as the claimed design.” *Id.* These secondary references must be “so related [to the primary reference] that the appearance of certain ornamental features in one would suggest the application of those features to the other.” *Id.* (quoting *In re Borden*, 90 F.3d 1570, 1575 (Fed. Cir. 1996) (alteration in original)).

**B. Level of Ordinary Skill in the Art**

A designer of ordinary skill in the art (“DOSITA”) relating to the D’200 patent would have a minimum of a Bachelor’s degree in Industrial Design, Mechanical Engineering, or related field and approximately 10 years of professional experience in the field of plastic toy design and manufacturing. Additional graduate education could substitute for professional experience, or significant experience in the field could substitute for formal education. *See* OTH-C at ¶ 10.

**C. Olsen Is a Primary Reference**

The claims of Olsen and the D’200 patent include five key similarities demonstrating that both have the same “distinctive visual appearances.” *MRC Innovations, Inc. v. Hunter Mfg., LLP*, 747 F. 3d 1326, 1332 (quoting *Durling*, 101 F.3d at 104). First, both have an inside bow on their front faces. Second, each has a stud at the top of the inside bow. Third, each has a bottom cavity comprising ribs for coupling the bottom cavity with three studs. Fourth, both Olsen and the D’200 patent were assigned to entities of the LEGO Group, and are therefore likely to be capable of being coupled with each other. Fifth, both blocks also have four flat, solid sides having nearly identical shapes, as illustrated in a transposition of Olsen’s FIG. 5 (flipped) and FIG. 3 of the D’200 patent (having fainter lines), as illustrated below:



Olsen, considered as a whole, has the same overall visual impression and “design characteristics of which are basically the same as the claimed design.” *In re Rosen*, 673 F.2d 388, 391 (CCPA 1982). See OTH-C, Fletcher Decl. at ¶¶ 13–18.

Olsen has “slight differences in the ... ornamental [features that do] not defeat a claim of obviousness” of the D’200 patent. *MRC*, 747 F. 3d at 1333 (“if the designs were identical, no obviousness analysis would be required.”). The case law contains several examples of slight differences between a primary reference and a claimed design, such as those between Olsen and the D’200 patent. First, *Jore Corp. v. Kouvato, Inc.*, held that a drill bit with a smooth cylindrical shaft could serve as a primary reference for a drill bit having hexagonal shaft and a groove.

Claimed Design



Primary Reference

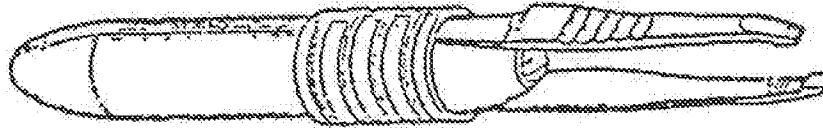


117 Fed. Appx. 761, 763 (Fed.Cir. 2005). Second, *In re Nalbandian*, found a tweezer design obvious in light of primary reference that contained vertical rather than horizontal fluting and straight rather than curved pincers.

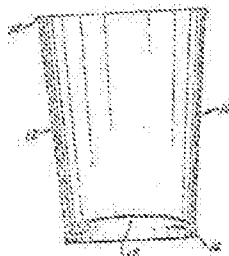
Claimed Design



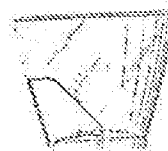
Primary Reference



661 F.2d 1214, 1217-18 (CCPA 1981). Third, *In re Schilling* found that prior art was a primary reference even though the trash can was twice as large, the walls were straight rather than curved, and the wall angles were substantially different.

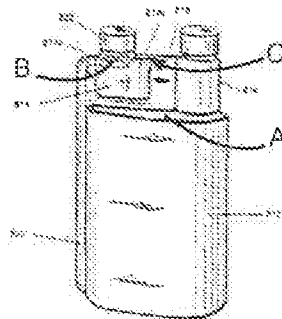


Primary Reference

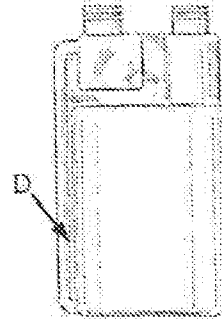


Claimed Design

421 F.2d 747 (CCPA 1970). Fourth, *In re Borden* found a dispenser could serve as a primary reference when it included four differences: (A) angled area, (B) indentation, (C) spacing, and (D) second spacing, illustrated below:

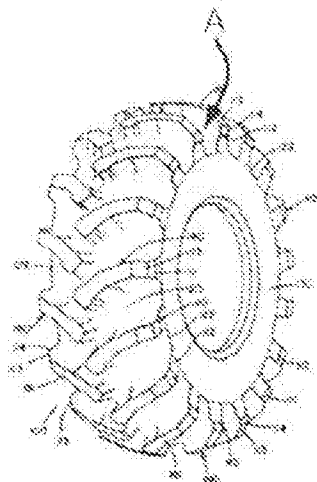


Primary Reference

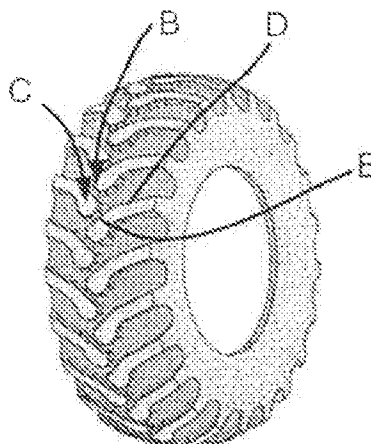


Claimed Design

90 F.3d 1570 (Fed. Cir. 1996). Fifth, in *Titan Tire*, the Federal Circuit found prior art was a primary reference even though it also had four differences: (A) outwardly projecting area, (B) substantially more rounded area in claimed design, (C) area much larger in claimed design, and (D and E) angle much larger in claimed design.

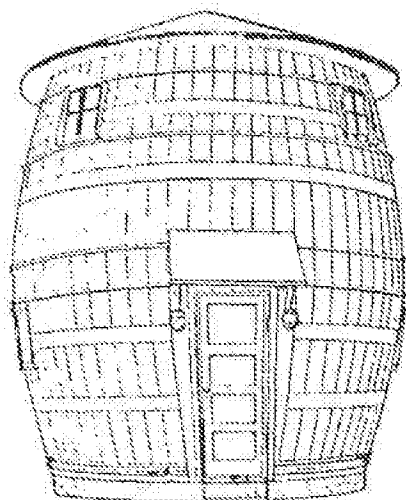


Primary Reference

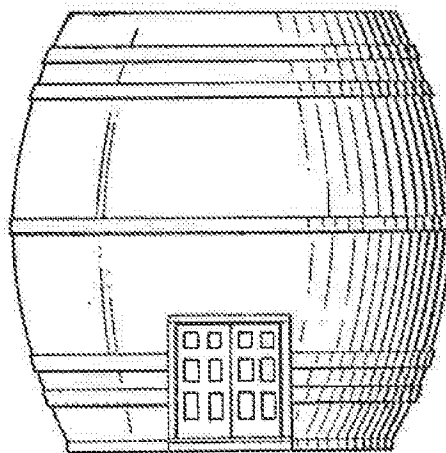


Claimed Design

566 F.3d 1372. Sixth, the restaurant designs in *In re Cooper* between the prior art and claimed design were numerous, including a single rather than double door and the addition of windows.



Primary Reference

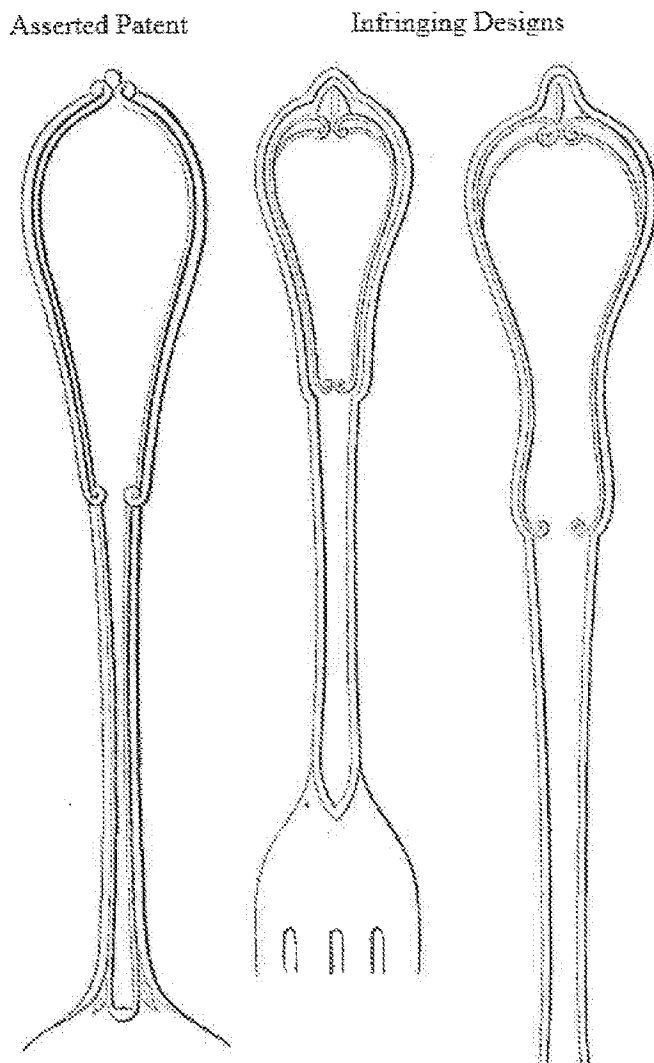


Claimed Design

480 F.2d 900, 901–02 (CCPA 1973). The court held,

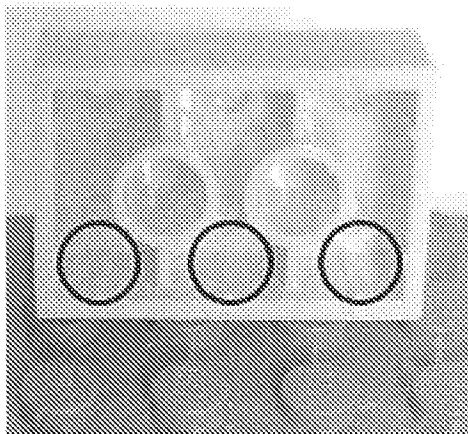
There are, of course, self-evident differences between appellant's design and the principal reference: (1) a double door instead of a single door; (2) no windows vs. windows; (3) the shape of the roof; and (4) the number and positioning of the hoops or tie-rods. ... Another way of viewing the question of obviousness—which, of course, is not without its difficulties—is that it would be obvious to modify Cunliff by changing his roof to a flat one, omit his rather insignificant windows, and door awning, and replace his single, paneled door with a pair of paneled doors. The remaining net effect is that the building still has the general appearance of a barrel, even if a couple of hoops seem to have been shifted a bit, and, moreover, the appearance of the same kind of a barrel as Cunliff.

*Id.* at 902–3. Finally, the seminal case, *Gorham C. v. White*, also demonstrated that claims, such as those of the D’200 patent, are read to cover designs that have obvious, but *de minimis*, differences. The figure below illustrates tableware having *de minimis* but obviously apparent differences from the asserted patents, such as the top-most filigree; they were nonetheless infringing:



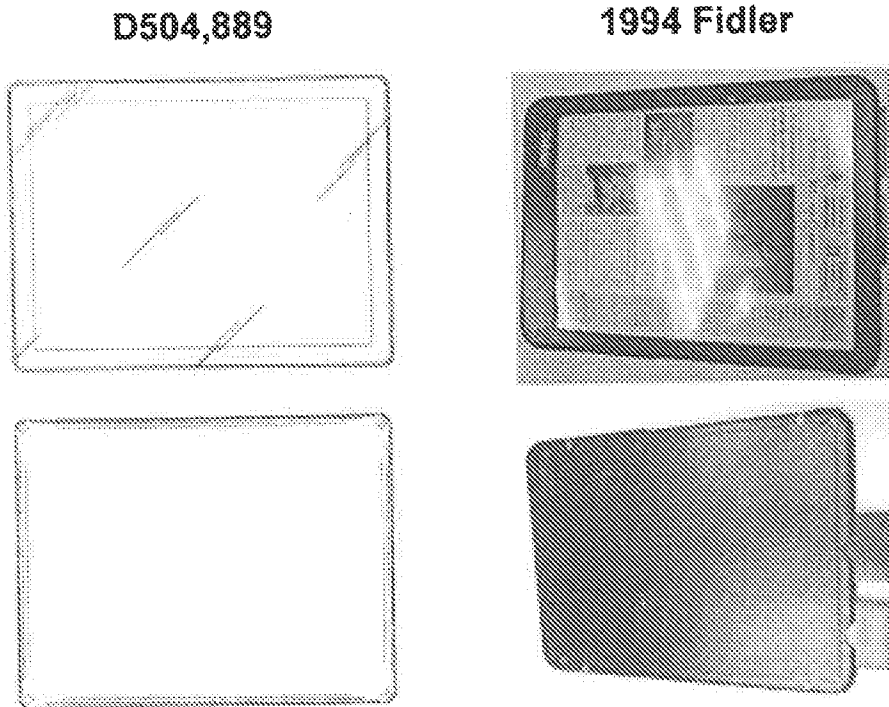
81 U.S. 511 (1872). Other examples of *de minimis* differences in primary references include “modifications to the waistband of an infant garment”; and “two small depressions in the design of a cigarette package.” *MRC*, 747 F. 3d at 1335 (citing *In re Carter*, 673 F.2d at 1380; and *In re Chung*, No. 00-1148, 2000 WL 1476861, at \*3 (Fed. Cir. Oct. 4, 2000), respectively). Olsen is a primary reference like those discussed above.

The differences between Olsen and the D'200 patent are small such that Olsen is still a primary reference. First, Olsen has a 2-stud width, while the D'200 patent claims a 1-stud width, similar to the trash can that was twice as big in *Schilling*. 421 F.2d 747. Second, Olsen has a hollow stud, whereas the D'200 patent claims a stud with a beveled top edge. Third, the internal cavities, while configured to mate with 3-stud lengths, do so in slightly different ways. The figure below illustrates a similar configuration to Olson, having two tubes and ribs that mate with three studs, and the three circles illustrate where the studs mate with the ribs and tubes:



These differences are *de minimis* and do not make the two blocks significantly different. See OTH-C, Fletcher Decl. at ¶¶ 16–18. Indeed, the Olsen and D'200 are basically the same and have the same overall visual appearance. Both designs are still interlocking LEGO® blocks likely capable of connecting with each other, and have the same overall shape. *Id.*

Undoubtedly, the patent owner will cite cases finding that prior art and claimed designs were not substantially similar. The most recent prominent case being *Apple, Inc. v. Samsung Elecs. Co., Ltd.* 678 F.3d 1314 (Fed. Cir. 2012). The Court in *Apple* found numerous important differences between the claimed invention and the prior art:



First, the Fidler tablet is not symmetrical: The bottom edge is noticeably wider than the others. More importantly, the frame of the Fidler tablet creates a very different impression from the “unframed” D’889 design. In the Fidler tablet, the frame surrounding the screen contrasts sharply with the screen itself. The Fidler screen appears to sink into the frame, creating a “picture frame” effect and breaking the continuity between the frame and the screen embedded within it. The transparent glass-like front surface of the D’889 patent, however, covers essentially the entire front face of the patented design without any breaks or interruptions. As a result, the D’889 design creates the visual impression of an unbroken slab of glass extending from edge to edge on the front side of the tablet. The Fidler reference does not create such an impression.

There are other noticeable differences between the Fidler tablet and the D’889 patent that contribute to the distinct visual appearance of the two designs. Unlike the D’889 patent, the Fidler reference contains no thin bezel surrounding the edge of the front side. Additionally, one corner of the frame in the Fidler reference contains multiple perforations. Also in contrast to the D’889 patent, the sides of the Fidler reference are neither smooth nor symmetrical; it has two card-like projections extending out from its top edge and an indentation in one of its sides. And the back of the Fidler reference also conveys a visual impression different from that of the D’889 design.

*Id.* at 1330–31. Unlike in *Apple*, Olsen and D’200 do have the same overall appearance as described above. Both Olsen and the D’200 design are symmetrical, have the same overall features. See OTH-C, Fletcher Decl. at ¶¶ 12–15. Further, the differences, *i.e.*, width, stud top, and cavity rib shape are *de minimis*. *Id.* at ¶¶ 16–18. Accordingly, Olsen is a *Rosen* primary reference.

**D. A Designer of Ordinary Skill in the Art (“DOSITA”) Would Have Been Motivated to Combine Olsen with One or More of Nelson, Hui, AU170, or Madsen**

The law allows combining a *Rosen* primary reference with secondary designs that are “so related that the appearance of certain ornamental features in one would suggest the application of those features in the other.” *Glavas*, 230 F.2d at 447. The court in *MRC* explained this relatedness test:

*In re Borden* also discussed what is required for a reference to be considered sufficiently “related” for that test to apply. There, we noted that the secondary references were “closely akin” to the claimed design, and relied heavily on the fact that “the two missing design elements [were] not taken from unrelated references, but [were] found in other dual-chamber containers.” *Id.* Thus, those references could be used “to bridge the small gap between the [primary] container and Borden’s claimed design.” *Id.*

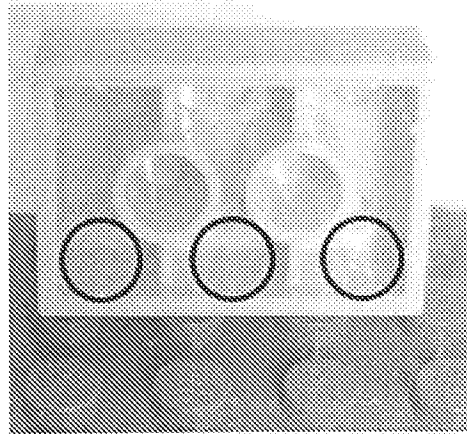
747 F. 3d at 1334. Like *MRC*, which combined two dog football jerseys, this request proposes rejections based on secondary LEGO® or LEGO®-compatible construction blocks. Each reference is closely akin to the others because each discloses toy blocks having studs and cavities for mating with studs. This request does not propose combinations of any non-compatible toy blocks. Therefore, each proposed combination is “so related that the appearance of certain ornamental features in one would suggest the application of those features in the other.” *Glavas*, 230 F.2d at 450. The secondary designs only bridge small gaps between Olsen and the claimed design. The combination of the secondary references with Olsen leaves no doubt that the differences between Olsen and the D’200 patent would have been obvious to the DOSITA. MPEP § 1504.03 (citing *In re Sapp*, 324 F.2d 1021, 139 USPQ 522 (CCPA 1963)).

**1. Olsen in Combination with Nelson Renders Obvious the Claim of the D’200 Patent**

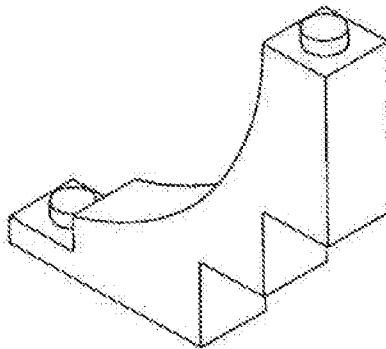
Both Olson and the D’200 patent disclose construction blocks having an inside bow on the front face. The most obvious difference between Olsen and the D’200 patent is that Olsen discloses a 2x3 block, and the D’200 patent discloses a 1x3 block. The figure below illustrates a similar



configuration to Olson, having two tubes and ribs that mate with three studs, and the three circles illustrate where the studs mate with the ribs and tubes:



Nelson discloses a similar compatible construction block with an inside bow shape on its front face but has a 1-stud width:



Nelson, three-dimensional diagram

A DOSITA would have understood that LEGO® blocks can be made in many shapes and sizes. See OTH-C, Fletcher Decl. at ¶¶ 23–25. U.S. Patent No. 7,625,261 shows but two examples: a 2x2 block and a 1x4 block:

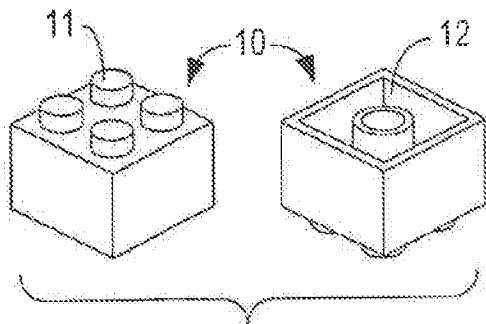


Fig. 1 - PRIOR ART

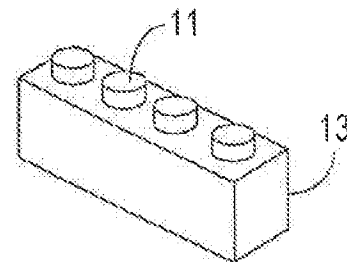
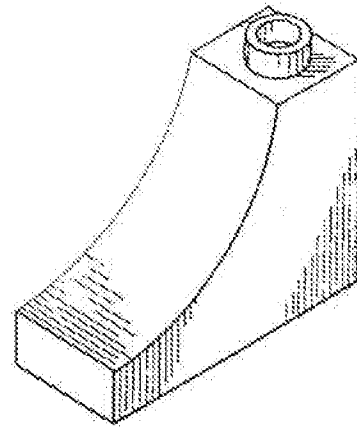


Fig. 2 - PRIOR ART

See PA-G. The prior art is replete with examples of construction blocks, which suggests many different sizes and shapes. See OTH-C, Fletcher Decl. at ¶ 25. Therefore, a DOSITA would have been motivated to combine the related teachings of Olsen and Nelson to change Olsen to have a 1-stud width, *i.e.*, from a 2x3 block to a 1x3 block. Such a combination would suggest using half of the design of Olsen's FIG. 1, which is identical to FIG. 2 of the D'200 patent but for two *de minimis* differences; namely, (i) a hollow stud versus the solid stud with beveled top surface of the D'200 patent; and (ii) the appearance of the inside, bottom cavity of the D'200 block.



D'200, FIG. 2



Proposed Combination of Olsen (FIG. 1)  
and Nelson

The combination of Olsen and Nelson therefore generates a block having the same overall appearance of the claimed design of the D'200 patent.

This modification of the primary reference in light of the secondary reference is proper because the applied references are so related that the appearance of features shown in one would suggest the application of those features to the other. See *Rosen*, 673 F.2d 388; *Carter*, 673 F.2d 1378, and *Glavas*, 230 F.2d 447. This is similar to the holding in *Cooper*, which found a single door obvious over double doors. 480 F.2d at 901-02. Further, a designer skilled in the art is charged with knowledge of the related art; therefore, the combination of old elements would have been well within the level of ordinary skill. See *In re Antle*, 444 F.2d 1168, 170 USPQ 285 (CCPA 1971), and *Nalbandian*, 661 F.2d 1214. See OTH-C, Fletcher Decl. at ¶ 26.

Nonobviousness in the overall appearance of the claimed design, when compared with the prior art, constitutes the test of design patentability. See *In re Frick*, 275 F.2d 741, 125 USPQ 191 (CCPA 1960) and *In re Lamb*, 286 F.2d 610, 128 USPQ 539 (CCPA 1961). The test is not whether

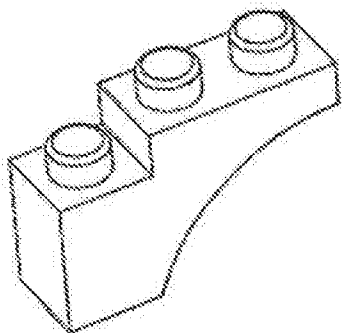
the prior art lacks even minute variations. The combination of Olsen and Nelson therefore renders unpatentable the claim of the D'200 patent.

The two *de minimis* differences do not create patentable distinctions for several reasons. The first difference is that the stud of the combination of Olsen and Nelson is hollow, whereas the top of the stud of the D'200 patent is solid with a beveled edge. This was a well-known and obvious feature at the May 2015 filing date of the D'200 patent. *See* OTH-C, Fletcher Decl. at ¶¶ 23–26. Second, the other difference is in the appearance of the inside, bottom cavity of the blocks. As explained in § II.B.4 above, the cavity configuration is hidden from view during normal use, functional, not ornamental, and therefore cannot form the basis of patentability. These differences are akin to the pincers in *Nalbandian*. 661 F.2d 1214. These changes are therefore *de minimis* because whether the stud or cavity have the same configuration does not affect the overall aesthetic appearance of the design and do “not create a patentably distinct design.” *Carter*, 673 F.2d at 1380.

Furthermore, assuming *arguendo* that these differences are not *de minimis*, the first and second differences are taught by the prior art, as explained in the next proposed rejections.

**2. Olsen in Combination with Nelson and Hui Renders Obvious the Claim of the D'200 Patent**

Hui discloses a stud with a beveled top edge:



Hui, three-dimensional diagram



Hui, left view

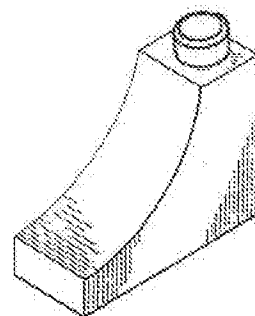
Hui also has a bow shape like Olsen and the D'200 patent, and it is a 1x3 block like the D'200 patent.

The DOSITA would also have found it obvious to include the well-known feature of a stud with a beveled top edge, as disclosed by Hui, to the combination of Olsen and Nelson. *See* OTH-C, Fletcher Decl. at ¶¶ 27–30. As described in the preceding section, the combination of Olsen and Nelson yields all ornamental features of the D'200 patent except for the stud with a beveled top edge. This is a *de minimis* feature that the prior art, including Hui, teaches. The DOSITA would

have been motivated to make the combination because Olsen, Nelson, and Hui are so related in appearance and compatible with each other that they would suggest applying their features to the primary reference, Olsen. Changing a hollow-top stud to a solid stud with a beveled top edge would have been obvious to the DOSITA. *Id.* The combination of Olsen with Nelson and Hui would yield the following result:



D'200 FIG. 2



Proposed Combination of Olsen (FIG. 1),  
Nelson, and Hui

The overall appearance of the combination is strikingly similar to the design of the D'200 patent.

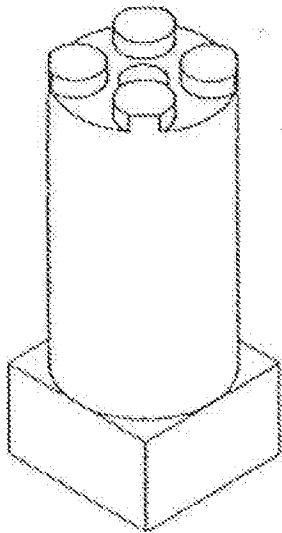
This modification of the primary reference in light of the secondary reference is proper because the applied references are so related that the appearance of features shown in one would suggest the application of those features to the other. *See Rosen*, 673 F.2d 388; *Carter*, 673 F.2d 1378; and *Glavas*, 230 F.2d 447. Further, a designer skilled in the art is charged with knowledge of the related art; therefore, the combination of old elements would have been well within the level of ordinary skill. *See Antle*, 444 F.2d 1168, and *Nalbandian*, 661 F.2d 1214. *See* OTH-C, Fletcher Decl. at ¶ 31. The combination of Olsen, Nelson, and Hui therefore renders obvious the claim of the D'200 patent.

The remaining difference between the coupling means in the cavities is a *de minimis* difference, as explained in § II.B.4 above. The only differences remaining are the hidden ribs in the cavity of the block, which are functional. These hidden functional features cannot form the basis of patentability. “[A] design claim to be patentable must also be ornamental; and functional features or forms cannot be relied upon to support its patentability.” *See Jones*, 119 USPQ at 93. “It is well settled that patentability of a design cannot be based on elements which are concealed in the normal use of the device to which the design is applied.” *Cornwall*, 230 F.2d at 459. Nevertheless, the prior art also teaches this *de minimis* difference, if the Office gives patentable weight to this aspect of D'200.

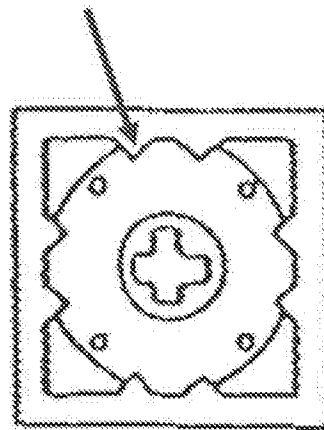
**3. Olsen in Combination with Nelson, Hui, and AU170 Renders Obvious the Claim of the D'200 Patent**

It is patent owner's burden to demonstrate ornamentality after requester demonstrates a *prima facie* case of lack of ornamentality. See *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992) ("the burden of coming forward with evidence or argument shifts to the [patent owner]."); see also, MPEP § 1504.01(c). Requester presented such a *prima facie* case in § II.B.4 above. The DOSITA would nonetheless have found it obvious to further modify the design of Olsen in combination with Nelson and Hui to have pointed ribs for coupling the bottom cavity with three studs.

AU170 discloses a construction block having triangular ribs for coupling with studs:

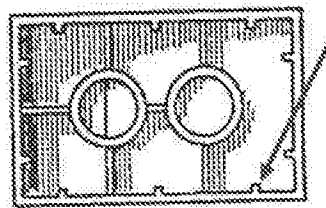


AU170, FIG. 1



AU170, FIG. 4  
(emphasis added)

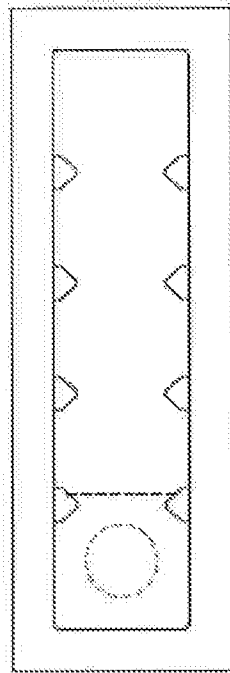
AU170's construction block comprises studs compatible with the ribs of the cavities of Olsen, Nelson, and Hui. Olsen's FIG. 4 also discloses a cavity having ribs:



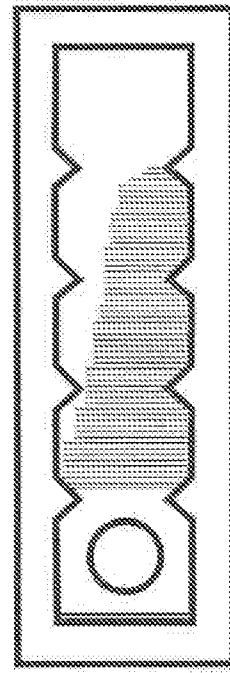
Olsen, FIG. 4 (emphasis added)

Each design is so related in appearance and compatibility that the DOSITA would have found it obvious to further modify the combination of Olsen, Nelson and Hui to include further the pointed ribs of AU170. See OTH-C, Fletcher Decl. at ¶¶ 32-34. It would have been obvious to a DOSITA

not later than the effective filing date of the present claimed invention to replace Olsen's rectangular ribs with the pointed ribs of AU170. *Id.* The suggestion of such a modification as taught by AU170 would appear as follows from the bottom perspective:



D'200 FIG. 6



Proposed Combination of Olsen (FIG. 4),  
Nelson, and Hui, and further combining the  
ribs of AU170

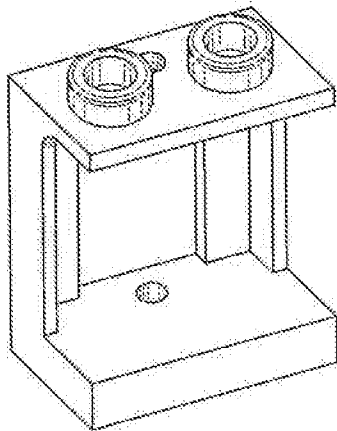
This modification of the primary reference in light of the secondary reference is proper because the applied references are so related that the appearance of features shown in one would suggest the application of those features to the other. *See Rosen*, 673 F.2d 388; *Carter*, 673 F.2d 1378; and *Glavas*, 230 F.2d 447. Further, a designer skilled in the art is charged with knowledge of the related art; therefore, the combination of old elements would have been well within the level of ordinary skill. *See Antle*, 444 F.2d 1168, and *Nalbandian*, 661 F.2d 1214; *see also*, OTH-C, Fletcher Decl. at ¶¶ 35. The claim of the D'200 patent is therefore also unpatentable over the combination of Olsen, Nelson, Hui, and AU170.

**4. Olsen in Combination with Nelson, Hui, and Madsen Renders Obvious the Claim of the D'200 Patent**

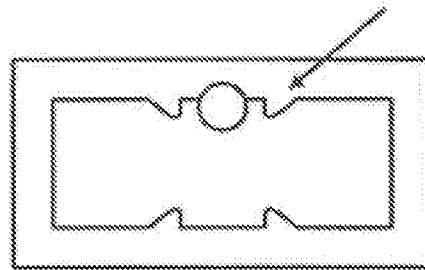
It is patent owner's burden to demonstrate ornamentality after requester demonstrates a *prima facie* case of lack of ornamentality. *See In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992) ("the burden of coming forward with evidence or argument shifts to

the [patent owner].”); *see also*, MPEP § 1504.01(c). Requester presented such a *prima facie* case in § II.B.4 above. The DOSITA would nonetheless have found it obvious to further modify the design of Olsen in combination with Nelson and Hui to have pointed ribs for coupling the bottom cavity with three studs.

Madsen discloses a construction block having triangular ribs for coupling with studs:

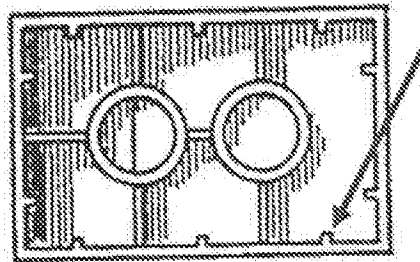


Madsen, FIG. 1



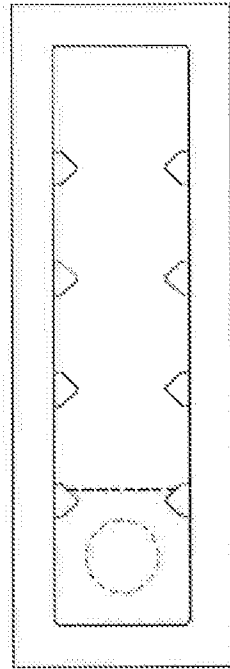
Madsen, FIG. 4  
(emphasis added)

Madsen’s construction block comprises studs compatible with the ribs of the cavities of Olsen, Nelson, and Hui. Olsen’s FIG. 4 also discloses a cavity having ribs:

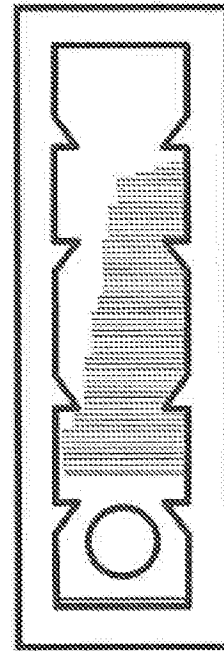


Olsen, FIG. 4 (emphasis added)

Each design is so related in appearance and compatibility that the DOSITA would have found it obvious to further modify the combination of Olsen, Nelson and Hui to include further the pointed ribs of Madsen. *See* OTH-C, Fletcher Decl. at ¶¶ 36–38. It would have been obvious to a DOSITA not later than the effective filing date of the present claimed invention to replace Olsen’s rectangular ribs with the pointed ribs of Madsen. The suggestion of such a modification as taught by Madsen would appear as follows from the bottom perspective:



D'200 FIG. 6



Proposed Combination of Olsen (FIG. 4),  
Nelson, and Hui, and further combining the  
ribs of Madsen

This modification of the primary reference in light of the secondary reference is proper because the applied references are so related that the appearance of features shown in one would suggest the application of those features to the other. *See Rosen*, 673 F.2d 388; *Carter*, 673 F.2d 1378; and *Glavas*, 230 F.2d 447. Further, a designer skilled in the art is charged with knowledge of the related art; therefore, the combination of old elements would have been well within the level of ordinary skill. *See Antle*, 444 F.2d 1168, and *Nalbandian*, 661 F.2d 1214. *See OTH-C*, Fletcher Decl. at ¶ 39. The claim of the D'200 patent is therefore also unpatentable over the combination of Olsen, Nelson, Hui, and Madsen.



## VII. CONCLUSION

The prior art references cited teach the subject of the claim of the D'200 patent and raise SNQs for the Office to resolve. The reasons for finding the claims unpatentable, are not cumulative with the grounds previously considered. Requester asks the Office to grant this request, reexamine, and reject the claim of the D'200 patent.

Respectfully Submitted,

/Kevin Greenleaf/

Reg. No. 64,062

Scott Cummings (Reg. No. 41,567)

Dentons US LLP

1900 K. St. NW

Washington, D.C. 20006

July 26, 2019

Certificate of Service

I certify that on July 26, 2019, I caused one paper copy of the concurrently filed UPDATED REQUEST FOR EX PARTE REEXAMINATION OF U.S. PATENT NO. D771,200, to be mailed by United States mail (first class, postage prepaid), addressed:

DAY PITNEY LLP  
One Canterbury Green  
201 Broad Street  
Stamford, CT 06901

Requester also served a courtesy copy to patent owner's counsel at the email addresses below:

[eaalquist@daypitney.com](mailto:eaalquist@daypitney.com)  
[etevelde@daypitney.com](mailto:etevelde@daypitney.com)  
[mraubeson@daypitney.com](mailto:mraubeson@daypitney.com)

Date: July 26, 2019

Signed: /Kevin Greenleaf/

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I certify that on July 26, 2019, I caused one paper copy of the concurrently filed UPDATED REQUEST FOR EX PARTE REEXAMINATION OF U.S. PATENT NO. D771,200, to be mailed by United States mail (first class, postage prepaid), addressed:

DAY PITNEY LLP  
One Canterbury Green  
201 Broad Street  
Stamford, CT 06901

Requester also served a courtesy copy to patent owner's counsel at the email addresses below:

[caalquist@daypitney.com](mailto:caalquist@daypitney.com)  
[etevelde@daypitney.com](mailto:etevelde@daypitney.com)  
[nraube@daypitney.com](mailto:nraube@daypitney.com)

Date: July 26, 2019

Signed: Kevin Grenfell

# **Exhibit F**



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United States Patent and Trademark Office  
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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/014,339	07/26/2019	D771200	15800126-000063	9387
29540	7590	10/18/2019	EXAMINER	
DAY PITNEY LLP One Stamford Plaza 263 Tresser Boulevard, 7th Floor Stamford, CT 06901			I.Y. DARLINGTON	
			ART UNIT	PAPER NUMBER
			2914	
			MAIL DATE	DELIVERY MODE
			10/18/2019	PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.



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(THIRD PARTY REQUESTER'S CORRESPONDENCE ADDRESS)

Scott Cummings  
Dentons US LLP  
1900 K. St. NW  
Washington, D.C. 20006

***EX PARTE* REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/014,339.

PATENT UNDER REEXAMINATION D771200.

ART UNIT 2914.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).

<b>Order Denying Request For Ex Parte Reexamination</b>	<b>Control No.</b> 90/014,339	<b>Patent Under Reexamination</b> D771200	
	<b>Examiner</b> DARLINGTON LY	<b>Art Unit</b> 2914	<b>AIA (FITF) Status</b> Yes

**--The MAILING DATE of this communication appears on the cover sheet with the correspondence address--**

The request for *ex parte* reexamination filed 07/26/2019 has been considered and a determination has been made. An identification of the claims, the references relied upon, and the rationale supporting the determination are attached.

Attachments: a)  PTO-892,      b)  PTO/SB/08,      c)  Other: \_\_\_\_\_

The request for *ex parte* reexamination is DENIED.

This decision is not appealable (35 U.S.C. 303(c)). Requester may seek review by petition to the Commissioner under 37 CFR 1.181 within ONE MONTH from the mailing date of this communication (37 CFR 1.515(c)). **EXTENSION OF TIME TO FILE SUCH A PETITION UNDER 37 CFR 1.181 ARE AVAILABLE ONLY BY PETITION TO SUSPEND OR WAIVE THE REGULATIONS UNDER 37 CFR 1.183.**

In due course, a refund under 37 CFR 1.26 ( c ) will be made to requester:

- a)  by Treasury check or,
- b)  by credit to Deposit Account No. \_\_\_\_\_ , or
- c)  by credit to a credit card account, unless otherwise notified (35 U.S.C.303(c)).

/DARLINGTON LY/ Primary Examiner, Art Unit 2914	/KEVIN K RUDZINSKI/ Primary Examiner, Art Unit 2911	/Philip S Hyder/ Primary Examiner, Art Unit 2917
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cc: Requester ( if third party requester )

## ***Ex Parte* Reexamination**

### **Request for *Ex Parte* Reexamination**

This is a request for ex parte reexamination of U.S. Patent No. D771,200 to Ryna, filed by a third-party requester on 26 July 2019 and assigned Serial No. 90/014,339.

### **Decision on Request**

No substantial new question of patentability for the sole claim is raised by the request for reexamination and prior arts cited therein for the reasons set forth below.

### **Litigation**

Litigation was not found for U.S. Patent No. D771,200 to Ryna.

### **Priority**

The application Serial No. 29/527,928 that issued as U.S. Patent No. D771,200 was filed 22 May 2015 and claims priority benefit to a Danish application No. DK854585501, filed on 25 November 2014.

### **Information Disclosure Statement**

The Information Disclosure Statement (PTO/SB/08b) filed 22 July 2019 has been considered.

### **Requisite to raise a Substantial New Question of Patentability (SNO)**

For "a substantial new question of patentability" to be present, it is only necessary that:



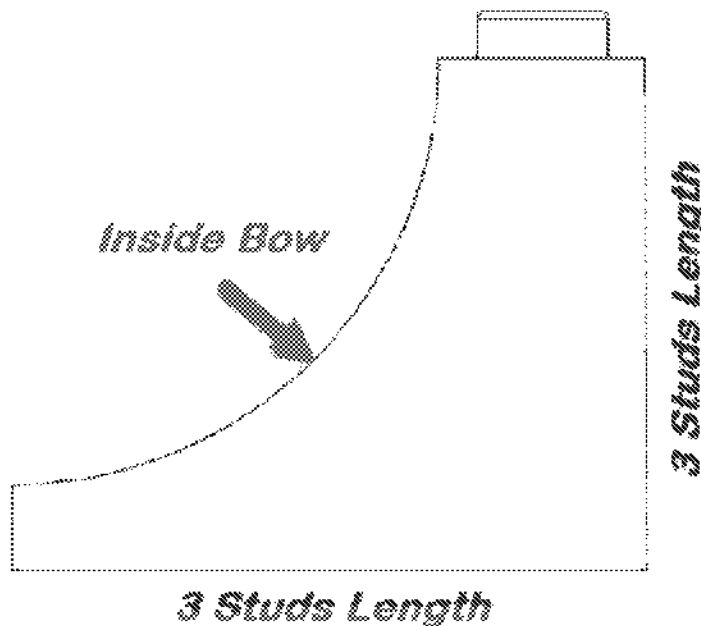


50 Affidavits or declarations or other written evidence which  
51 explain the contents or pertinent dates of prior art  
52 patents or printed publications in more detail may be  
53 considered in reexamination, but any rejection must be  
54 based upon the prior art patents or printed publications as  
55 explained by the affidavits or declarations or other  
56 written evidence. The rejection in such  
57 circumstances cannot be based on the affidavits or  
58 declarations or other written evidence as such, but must  
59 be based on the prior art patents or printed publications.

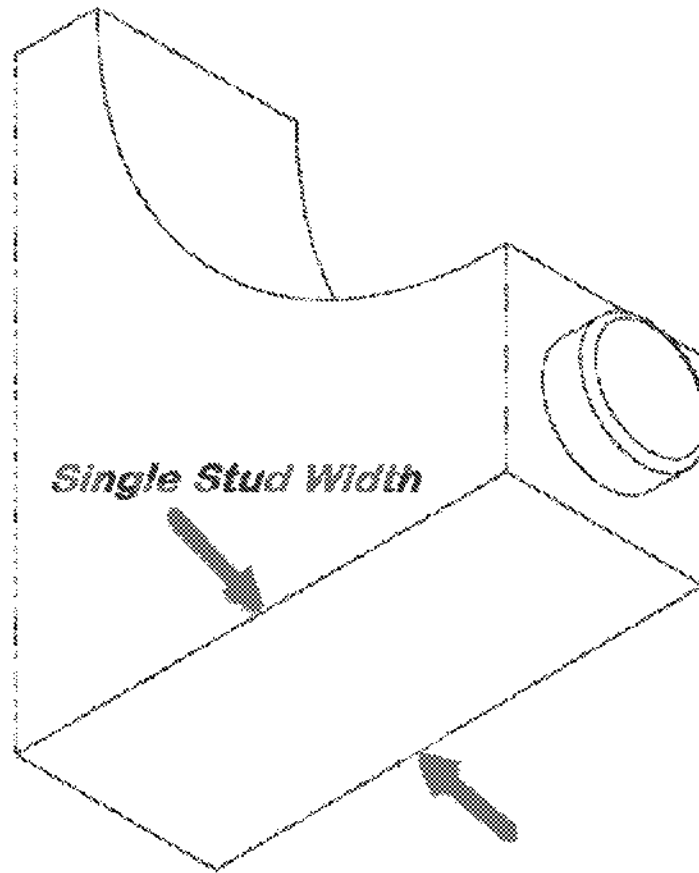
60 **Patented Claim - U.S. Patent No. D771,200**

61 The '200 patent consists of a single claim that is directed to the ornamental  
62 design for a *building block for a toy building set*. This building block is  
63 characterized as being generally squared in shape with two adjacent sides (rear and  
64 bottom sides) measuring three (3) studs in length. Features specific of the building  
65 block in which the design is embodied are as follows:

66 **A. Inside Bow on Front Surface:** The opposing two adjacent sides  
67 (front and top sides) are notched out from their common corner to  
68 form a smooth concave arch face, to which is referred to as an "inside  
69 bow" in the request.

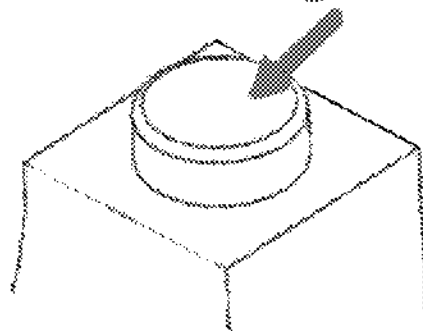


70           **B. Single Stud Width:** The building block has an overall single stud  
71           width to its generally 3x3 stud length and height configuration.

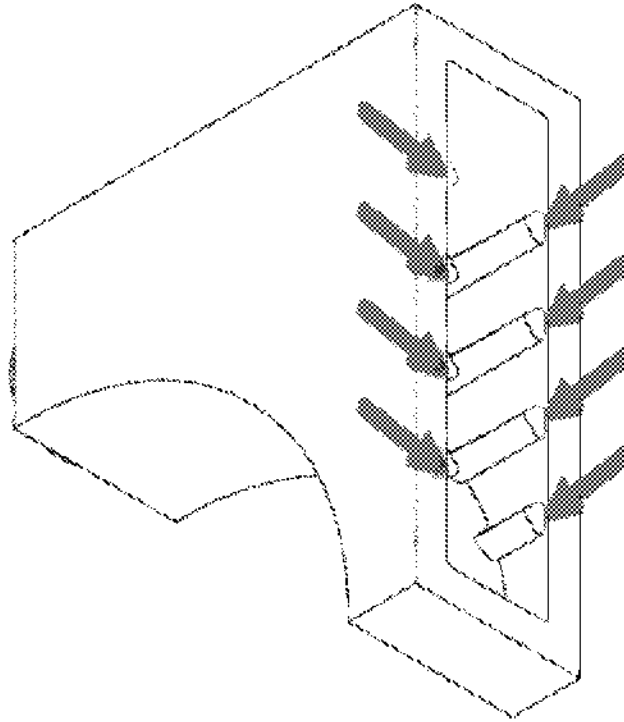


72           **C. Stud with Beveled Top Edge:** The top end of the building block toy  
73           has a single stud or knob. Said knob is cylindrical in shape with its top  
74           edge beveled around its periphery.

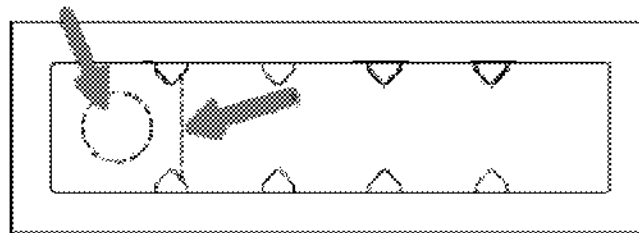
*Single Knob with  
Beveled Edge*



75           **D. Bottom Cavity with Ribs fitted for Three Studs/Knobs:** The  
76           bottom of the building block toy is completely hollowed out to form a  
77           cavity in the inverse configuration of the exterior. Additionally, four  
78           ribs are evenly distributed along each longitudinal side of the bottom  
79           edge. The four ribs allow for three-studs from separate block to press-  
80           fit into the building block toy.



81           **E. Scope of Protection Sought:** The claim is embodied in and/or  
82           applied to nearly the entire configuration of the building block. The  
83           only exclusion of the building block toy's configuration from the  
84           claimed design is the underside or bottom appearance of the top knob.  
85           This portion of the bottom appearance is represented in broken lines in  
86           FIG. 6 as depicted below.



87 **Documents Cited in the *Ex Parte* Reexamination Request**

88 The third-party requester asserts that a substantial question of patentability  
89 of the single claim in the U.S. Patent No. D771,200 is raised by the following prior  
90 art patent and publications:

- 91 I. *U.S. Patent No. D312,105 to Olsen et al. (Ex. PA-A; "Olsen")*  
92 II. *Chinese Design Patent No. 3066116 to Robert Nelson (Ex. PA-B'  
93 "Nelson")*  
94 III. *Chinese Design Patent No. 301371137 (Ex. PA-C; "Hui")*  
95 IV. *Australian Patent AU 106170 (Ex. PA-D; "AU170")*  
96 V. *U.S. Patent No. D639,870 to Madsen (Ex. PA-E; "Madsen")*

97 The above cited references have been evaluated on whether there is a  
98 substantial likelihood that a reasonable examiner would consider its teaching  
99 important in deciding patentability of the claim. Upon careful consideration, it has  
100 been determined that the above references do not raise new questions of  
101 patentability. Therefore, the request for *ex parte* reexamination is denied. Further  
102 details in the decision to deny an *ex parte* reexamination is set forth below.

103 **No Substantial New Questions of Patentability**

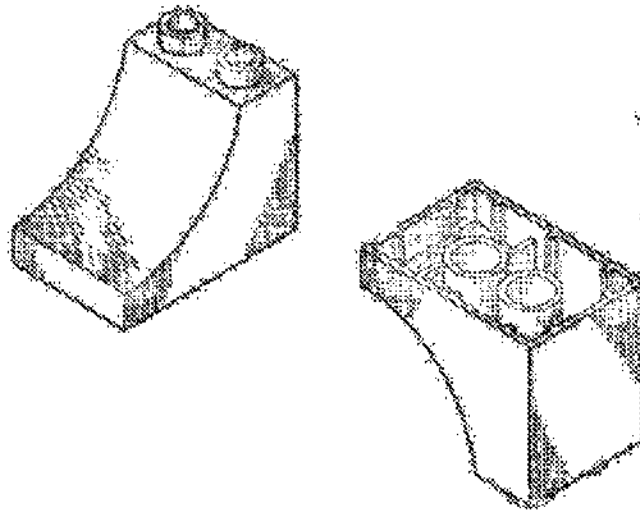
104 No substantial new question of patentability is raised by the request for *ex*  
105 *parte* reexamination of the single claim in U.S. Patent No. D771,200. The patent  
106 proposed as a primary reference in each of the rejection scenarios was cited and  
107 considered in an earlier examination of the patent. Therefore, the patent used as  
108 the primary reference in the rejection scenarios is considered "old art" precluded  
109 from being used in a reexamination. It is further noted that said patent reference  
110 was not presented or viewed in a new light or a different way compared with its use  
111 in the earlier concluded examination as set forth in MPEP 2242(II)(A). The other  
112 four publications detailed in the request would not serve as appropriate primary

113 references and did not clearly include characteristic features to be used in an  
114 obviousness analysis.

115 Careful considerations were given to each of the requestor presented  
116 references and the following has been appropriately determined:

117 **I. U.S. Patent No. D312,105 to Olsen et al. (Ex. PA-A; "Olsen")**

118 In their request, the requestor submitted that the overall appearance  
119 of the Olsen patent (Ex. PA-A) is basically the same as that of the  
120 claimed design in the '200 Patent in accordance with an obviousness  
121 analysis. Therefore, the requestor asserted that the Olsen patent  
122 raises a new question of patentability and would be appropriate as a  
123 primary reference in obviousness analysis.



Reference was properly considered and cited  
during the prior examination.

124 While the Examiner agrees that the Olsen Patent would serve as an  
125 appropriate primary reference, the patent was properly considered in  
126 an earlier examination of the patent. During the examination of  
127 application 29/527,928, to which became the '200 Patent, the  
128 Examiner appropriately cited the Olsen patent in her list of references  
129 searched and found.

130 As the Olsen patent was previously considered and the request has  
131 neither presented said patent reference in a new light nor in a different  
132 way, it is considered "old art" and is precluded from being used in a  
133 reexamination. In order for "old art" to be reconsidered and relied upon  
134 in the raising of a SNQ, it must be presented in view of a material new  
135 argument or interpretation. While the requester argues that the  
136 functional attributes of the bottom of the toy block should exclude its  
137 bottom appearance from the claimed design, such a claim construction  
138 is incorrect. The design corresponds to the subject matter shown in  
139 full solid lines to which comprises of large portions of the bottom  
140 configuration. Whether that configuration is primarily functional,  
141 ornamental, or both is debatable because the requester has not  
142 presented a convincing prima facie case to disregard its ornamental  
143 significance. Simply pointing out the functional attributes of certain  
144 features does not imply that the same features are also not  
145 ornamental.

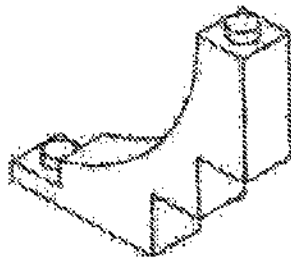
146 For the aforementioned reasons, the request has neither shown the  
147 Olsen patent in a different way than that previously considered and  
148 subsequently cannot raise a new question of patentability.

149 **II. Chinese Design Patent No. 3066116 to Robert Nelson (Ex. PA-B'**  
150 **"Nelson")**

151 Nelson does not raise a SNQ as to the sole claim. The overall  
152 appearance of Nelson is not substantially the same as that of the '200  
153 Patent as required for anticipation. In particular, an ordinary observer  
154 would not mistake Nelson for the '200 Patent because of the additions  
155 of the squared top edge to the stud knob, additional shallow stud knob  
156 at the bottom-front corner, and double stepped notches from the  
157 bottom-rear corner.

158 The overall appearance of Nelson is not basically the same as that of  
159 the '200 Patent as required for obviousness. The uniformed

160           uninterrupted rear and front sides, beveled top edge to the stud knob,  
161           and large cavity with ribbed edges at the bottom of the building block  
162           toy are fundamental aspects of the '200 design that are not present in  
163           the Nelson reference. Therefore, those missing aspects prevent the  
164           Nelson reference from being a starting point in an obviousness  
165           analysis because the reference is not basically the same as the claimed  
166           design.



Reference teaches a single stud width. However, the single stud width was also a characteristic feature found in other references that were evaluated and cited by the examiner. Therefore, the above requester submitted reference does not teach a feature in a new light or in a different manner as compared to the earlier concluded examination.

167           The individual features illustrated in the Nelson design, that are not  
168           merely cumulative to similar prior art features already fully considered  
169           by the Office in a previous examination of the claim, make the  
170           reference unimportant as a secondary reference in an obviousness  
171           analysis because they are not similar to those of the '200 Patent. In  
172           particular, the requestor relies on Nelson to teach the single stud  
173           width. This single stud width configuration was appropriately  
174           considered as part of cumulative art during the prior examination of  
175           the claimed design. Therefore, the Nelson reference showing a block  
176           toy with single stud width does not provide any new teachings that  
177           were not previously considered.

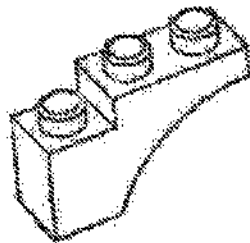
178           **III. Chinese Design Patent No. 301371137 (Ex. PA-C; "Hui")**

179           Hui does not raise a SNQ as to the sole claim. The overall appearance  
180           of Hui is not substantially the same as that of the '200 Patent as



181 required for anticipation. In particular, an ordinary observer would not  
182 mistake Hui for the '200 Patent because of the differences in overall  
183 proportion in a 1x3 block, inverted arch from the bottom corner, trio  
184 stud knobs, and single notch or stepped configuration to the top  
185 surface.

186 The overall appearance of Hui is not basically the same as that of the  
187 '200 Patent as required for obviousness. The generally 3x3 stud  
188 configuration, single top stud knob with top beveled edge, smooth  
189 concave arched surface originating from the top-front corner, squared  
190 and even bottom-rear corner, and large cavity with ribbed edges at  
191 the bottom of the building block toy are fundamental aspects of the  
192 '200 design that are not present in the Hui reference. Therefore, those  
193 missing aspects prevent the Hui reference from being a starting point  
194 in an obviousness analysis because the reference is not basically the  
195 same as the claimed design.



Reference teaches a beveled top edge to stud-knob. However, the beveled top edge was also a characteristic feature found in other references that were evaluated and cited by the examiner. Therefore, the above requester submitted reference does not teach a feature in a new light or in a different manner as compared to the earlier concluded examination.

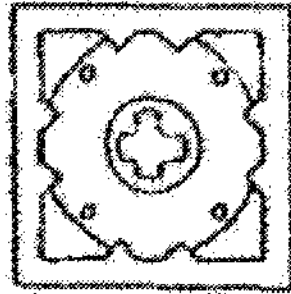
196 The individual features illustrated in the Hui design, that are not  
197 merely cumulative to similar prior art features already fully considered  
198 by the Office in a previous examination of the claim, make the  
199 reference unimportant as a secondary reference in an obviousness  
200 analysis because they are not similar to those of the '200 Patent. In

201 particular, the requestor relies on Hui to teach the beveled top edge  
202 configuration to a single stud knob. This beveled top edge  
203 configuration was appropriately considered as part of cumulative art  
204 during the prior examination of the claimed design. Therefore, the Hui  
205 reference showing a block toy with a stud having a top beveled edge  
206 does not provide any new teachings that were not previously  
207 considered.

208 ***IV. Australian Patent AU 106170 (Ex. PA-D; "AU170")***

209 AU170 does not raise a SNQ as to the sole claim. The overall  
210 appearance of AU170 is not substantially the same as that of the '200  
211 Patent as required for anticipation. In particular, an ordinary observer  
212 would not mistake AU170 for the '200 Patent because the differences  
213 in their overall shape and configuration. The design of AU170 is  
214 generally cylindrical with a shallow squared base; whereas the claimed  
215 design of the '200 Patent is generally squared in shaped and includes a  
216 large concave arched surface.

217 The overall appearance of Hui is not basically the same as that of the  
218 '200 Patent as required for obviousness. The generally 3x3 stud  
219 configuration, single top stud knob with top beveled edge, smooth  
220 concave arched surface originating from the top-front corner, squared  
221 and even bottom-rear corner, and large rectangular cavity with ribbed  
222 edges at the bottom of the building block toy are fundamental aspects  
223 of the '200 design that are not present in the AU170 reference.  
224 Therefore, those missing aspects prevent the AU170 reference from  
225 being a starting point in an obviousness analysis because the  
226 reference is not basically the same as the claimed design.



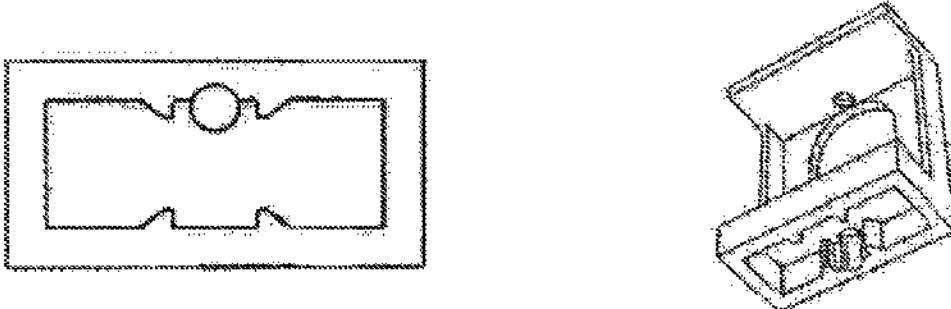
Reference shows a pointed rib that is not sufficiently similar to the rib used in the '200 Patent. Therefore, the reference does not have any characteristic features similar to the claimed design.

227 The individual features illustrated in the AU170 design, that are not  
228 merely cumulative to similar prior art features already fully considered  
229 by the Office in a previous examination of the claim, make the  
230 reference unimportant as a secondary reference in an obviousness  
231 analysis because they are not similar to those of the '200 Patent. In  
232 particular, the requester submits that AU170 teaches "ribs with  
233 pointed ends" similar to that of the claimed design in the '200 Patent.  
234 However, the ribs from the AU170 are shallower than those in the '200  
235 Patent. Even further, the spacing between the ribs are much narrower  
236 in the AU170 design than they are in the '200 Patent design.

237 **V. U.S. Patent No. D639,870 to Madsen (Ex. PA-E; "Madsen")**

238 Madsen does not raise a SNQ as to the sole claim. The overall  
239 appearance of Madsen is not substantially the same as that of the '200  
240 Patent as required for anticipation. In particular, an ordinary observer  
241 would not mistake Madsen for the '200 Patent because the differences  
242 in their overall shape and configuration. The design of Madsen  
243 represents a window block module having a rectangular with top arch  
244 opening; whereas the claimed design of the '200 Patent is solid block  
245 module having an arched notched. A window and solid block modules  
246 are entirely different in their appearances.

247 The overall appearance of Madsen is not basically the same as that of  
248 the '200 Patent as required for obviousness. The generally 3x3 stud  
249 configuration, single top stud knob with top beveled edge, smooth  
250 concave arched surface originating from the top-front corner, squared  
251 and even bottom-rear corner, and large rectangular cavity with ribbed  
252 edges at the bottom of the building block toy are fundamental aspects  
253 of the '200 design that are not present in the Madsen reference.  
254 Therefore, those missing aspects prevent the Madsen reference from  
255 being a starting point in an obviousness analysis because the  
256 reference is not basically the same as the claimed design.



Reference shows a pointed rib that is not sufficiently similar to the rib used in the '200 Patent. Therefore, the reference does not have any characteristic features similar to the claimed design.

257 The individual features illustrated in the Madsen design, that are not  
258 merely cumulative to similar prior art features already fully considered  
259 by the Office in a previous examination of the claim, make the  
260 reference unimportant as a secondary reference in an obviousness  
261 analysis because they are not similar to those of the '200 Patent. The  
262 requester, in particular highlights the "pointed ribs" of the Madsen  
263 design. These "pointed ribs", however, are not sufficiently similar to  
264 the ribs from the '200 Patent. The latter Madsen design is angular  
265 along one side; whereas in the former '200 Patent, two sides are  
266 angled together and taper to form the pointed ribs.

267 For the above reasons, the request for supplemental examination fails to  
268 establish that there is a substantial likelihood that a reasonable examiner would

269 consider the teachings of the aforementioned references taken alone or in  
270 combination with other teachings important in deciding whether or not the sole  
271 claim is patentable.

272 Requester's proposed combination of references in the rejection scenarios  
273 would not result in a design that looks substantially the same as that of the '200  
274 patent. No evidence is presented to indicate that the original examiner overlooked  
275 reasons for raising a question of obviousness regarding the references cited in the  
276 request. Moreover, requestor has presented no evidence to suggest that the  
277 original examiner did not consider the matters discussed above in her concluded  
278 examination. For the foregoing reasons none of the cited references in the request  
279 raise a substantial new question of patentability regarding patent U.S. Patent No.  
280 D771,200.

### 281 **Remarks on the Functionality of Features**

282 In the request, the requester submits that the bottom appearance of the  
283 building block toy includes ribs to which are features that cannot be part of the  
284 claimed design. While these features are represented in full solid lines, the  
285 requester submits that such features are purely functional and are not a visible part  
286 of the design when used as intended. For this reason, the requester argues that  
287 patentability of the claimed design should not be based upon such features that  
288 may be purely functional or are hidden during use. The requestor cites section  
289 1504.03 of the MPEP, which states:

290 When a claim is rejected under 35 U.S.C. 103 as being  
291 unpatentable over prior art, features of the design which  
292 are functional and/or hidden during end use may not be  
293 relied upon to support patentability, "[A] design claim to  
294 be patentable must also be ornamental: and functional  
295 features or forms cannot be relied upon to support  
296 its patentability." See Jones v. Progress, Ind. Inc., 119  
297 USPQ 92, 93 (D. R.L 1958), "It is well settled that  
298 patentability of a design cannot be based on elements  
299 which are concealed in the normal use of the device to  
300 which the design is applied." See In re Cornwall 230 F.2d  
301 457, 459, 109 USPQ 57, 58 (CCPA 1956); In re Garbo, 287

302 F.2d 192,129 USPQ 72 (CCPA 1961). It is not necessary that  
303 prior art be relied upon in a rejection under 35 U.S.C, 103  
304 to show similar features to be functional and/or hidden in  
305 the art. However, examiners must provide evidence to  
306 support the *prima facie* functionality of such features.  
307 Furthermore, hidden portions or functional features cannot  
308 be relied upon as a basis for patentability. If  
309 applicant wishes to rely on functional or hidden features  
310 as a basis for patentability, then the same standard for  
311 establishing ornamentality under 35 U.S.C. 171 must be  
312 applied before these features can be given any patentable  
313 weight. See MPEP § 1504.01(c), subsection I.

314 When making a rejection under 35 U.S.C. 171 for lack of ornamentality in  
315 view of functionality, there must be *prima facie* case of functionality present. Such  
316 a presence has not been sufficiently established in the request. There is no  
317 profound evidence to support that the bottom ribs are purely functional and have  
318 no inherit ornamentality. On the contrary, both the AU170 and Madsen references  
319 to which the requester presented in this request shows alternate configurations for  
320 a ribbed structure. These ribbed structures serve the same particular purpose and  
321 function in the exact same manner while having entirely different configurations.  
322 The difference between these ribbed structures pertain to their appearances and  
323 not necessarily to their functional purposes. Since the ribbed structures can  
324 manifest multiple forms while also serving the same function, this would suggest  
325 that the particular form is an aesthetical attribute and not a functional system.  
326 Although the ribbed features may serve a functional purpose, they may also have  
327 inherit ornamental attributes that effect the overall appearance of the block toy  
328 design. Also, whether the ribs are hidden when used as intended depends on how  
329 the building block toy is actually used. The building block toy does not have to be  
330 mated to three or more studs, but could easily be mated to two or less studs. If  
331 the block were mated to another element in this fashion, then one or two of the  
332 ribbed rows would be visible and not hidden in its end use. For these reasons, the  
333 bottom appearance of the article that is shown in full solid lines is integral and part  
334 of the claimed design and must be given proper consideration in the analyses of  
335 anticipation and obviousness.

336 **Additional Information**

337 Extensions of time under *37 CFR § 1.136(a)* will not be permitted in these  
338 proceedings because the provisions of *37 CFR § 1.136* apply only to "an applicant"  
339 and not to parties in a reexamination proceeding. Additionally, *35 U.S.C. § 305*  
340 requires that *ex parte* reexamination proceedings "will be conducted with special  
341 dispatch" (*37 CFR § 1.550(a)*). Extensions of time in *ex parte* reexamination  
342 proceedings are provided for in *37 CFR § 1.550(c)*.

343 **Conclusion**

344 In summary, the references submitted by the requester do not raise a  
345 substantial new question of patentability affecting the claim of United States Patent  
346 Number D771,200.

347 Any inquiry concerning this communication or earlier communications from  
348 the examiner should be directed to Darlington Ly whose telephone number is 571-  
349 272-2617. The examiner can normally be reached on Monday-Friday between 9AM-  
350 5PM. If attempts to reach the examiner by telephone are unsuccessful, the  
351 examiner's supervisor, Barbara Fox can be reached on 571-272-4456. The fax  
352 phone number for the organization where this application or proceeding is assigned  
353 is 571-273-8300.

354 Information regarding the status of an application may be obtained from the  
355 Patent Application Information Retrieval (PAIR) system. Status information for  
356 published applications may be obtained from either Private PAIR or Public PAIR.  
357 Status information for unpublished applications is available through Private PAIR  
358 only. For more information about the PAIR system, see [http://pair-](http://pair-direct.uspto.gov)  
359 [direct.uspto.gov](http://pair-direct.uspto.gov). If you have questions on access to the Private PAIR system,  
360 contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you  
361 would like assistance from a USPTO Customer Service Representative or access to  
362 the automated information system, call 800-786-9199 (in the USA or CANADA) or  
363 571-272-1000.

Application/Control Number: 90/014,339  
Art Unit: 2914

Page 18

/DARLINGTON LY/

Primary Examiner, Art Unit 2914

Conferees:

/KEVIN K RUDZINSKI/

Primary Examiner, Art Unit 2911

/Philip S Hyder/

Primary Examiner, Art Unit 2917



# **Exhibit G**



TST East, Kowloon, Hong Kong, L.A.R. Upon information and belief, ZURU Inc. does business in the State of Connecticut.

### **JURISDICTION AND VENUE**

5. This Court has jurisdiction over the subject matter of this Complaint pursuant to 28 U.S.C. §§ 1331, 1338(a) and (b), and 1367.

6. This Court has personal jurisdiction over ZURU by virtue of it transacting, doing, and soliciting business in this District, and committing acts of patent, copyright and trademark infringement in this District.

7. Venue is proper in this District because ZURU is a foreign corporation and has committed acts of patent, copyright, and trademark infringement in this District.

### **FACTS**

8. In 2015, the LEGO<sup>®</sup> brand was named the world's most powerful brand.

9. The LEGO Group is a well-established industry innovator and leader in designing and manufacturing toys and play materials for children of all ages worldwide. The LEGO Group's toy building elements, figurines and toy sets established the construction toy category, are well-recognized around the world and have enjoyed tremendous commercial success and consistent popular acclaim. Constructive LEGO<sup>®</sup> play fosters positive, lifelong skills, such as creativity, imagination and creative problem solving, which are valuable to any child.

10. The LEGO Group is known for delivering the very best construction toy products and associated play experiences. In fact, the name "LEGO" is an abbreviation of the Danish words "leg godt" meaning "play well." The LEGO Group was founded in 1932 by Ole Kirk Kristiansen, who started the company making wooden toys and selling them from his workshop in Billund, Denmark. The company has passed from parent to child with Thomas Kirk

Kristiansen, great grandchild of the founder, representing the fourth generation of ownership and currently serving as Deputy Chairman of the Board of Directors. Ole Kristiansen's motto— "det bedste er ikke for godt" meaning "only the best is good enough"— helps explain why, according to a 2014 survey by the Reputation Institute, the LEGO Group is the number two most-admired brand in the United States and number nine globally. The phrase also explains why the LEGO Group's products have been named "Toy of the Century" by both *Fortune* magazine and the British Association of Toy Retailers. Over the years, the LEGO Group has amassed significant goodwill and a strong reputation for quality.

11. The LEGO Group's innovative and commercially successful products are the result of its long-time investment in research and development and commitment to cutting-edge toy designs. The LEGO Group's innovations and products have become so popular and well-recognized that they attract competitors who attempt to capitalize on the LEGO Group's success by copying its innovations and products and preying on the vulnerability of youthful consuming population, instead of developing their own product lines. Over the years, the LEGO Group has made substantial investments in design, research and development, licensing, and manufacturing in a wide variety of product lines, including those containing the Minifigure figurine and LEGO<sup>®</sup> Friends<sup>™</sup> construction toy products.

**Representative LEGO® Product Lines**

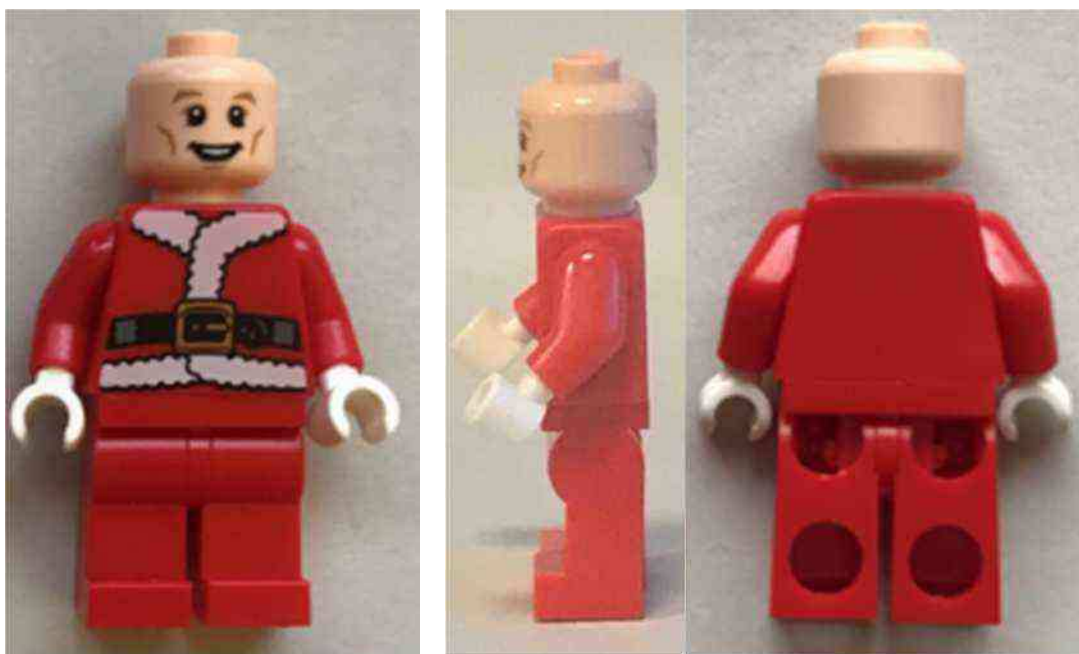




12. As described in further detail below, ZURU is infringing the LEGO Group's intellectual property rights with all products in its Max Build More and Mayka Toy Block Tape lines of construction toys (collectively, the "Infringing Products").

**THE LEGO GROUP'S INTELLECTUAL PROPERTY RIGHTS IN THE MINIFIGURE FIGURINE**

13. In 1978, the LEGO® brand introduced its Minifigure figurine. For more than 40 years, the Minifigure figurine has been sold worldwide in numerous varieties of LEGO® brand toy sets, as well as individually, becoming one of the most iconic toys for the LEGO Group. Over 120 million Minifigure figurines have been sold in the United States since 1978.



**A Representative LEGO® Minifigure figurine**



**A Representative LEGO® Minifigure figurine**

14. LAS owns numerous copyrights registered with the United States Copyright Office, including Registration Number VA0000655230 and Registration Number VA0000655104 (the “Minifigure Copyrights”), protecting the 3D sculpture and derivative works of the Minifigure figurine. Copies of the deposit material maintained by the United States Copyright Office as part of the Minifigure Copyrights are attached as Exhibits A and B.





**Registration Number VA0000655230**



**Registration Number VA0000655104**

15. Since 1978, the LEGO Group has continuously displayed the © symbol in connection to the Minifigure figurine on various product packaging.

16. Since at least as early as 1993 the LEGO Group has continuously displayed the © symbol in the plastic of the Minifigure figurine in various locations.

17. Since at least as early as 1998 the LEGO Group has continuously displayed “© LEGO” in the plastic of the Minifigure figurine in various locations. For example, in the images below, “© LEGO” is in the plastic of each element comprising the Minifigure figurine:



**© LEGO located inside head element of Minifigure figurine**



© LEGO located on the top of leg element of Minifigure figurine



© LEGO located on the bottom of leg element of Minifigure figurine



© LEGO located on the torso element of Minifigure figurine

18. LJAS owns numerous trademarks registered with the United States Patent & Trademark Office including Registration Number 4,903,968 for the Minifigure figurine (“the

Registered Minifigure Trademark”). A copy of the Registration Certificate for the Registered Minifigure Trademark is attached as Exhibit C.



**USPTO Registration Number 4,903,968**

19. The LEGO Group also has common law trademark rights in the Minifigure figurine set forth in Exhibit C, by virtue of its continuous use of the mark in commerce throughout the United States since 1978 (together with the Registered Minifigure Trademark, the “Minifigure Trademarks”).

20. The LEGO Group has established valuable (indeed, *invaluable*) trademark rights and goodwill in the Minifigure Trademarks by virtue of its long use and registration of the trademark, the substantial promotional and marketing efforts under the trademark, the expenditure of vast sums in advertising and promotional activities under that trademark, and third-party licensing agreements.

21. The products and services offered, sold, and advertised in connection with the Minifigure Trademarks have generated substantial revenue. Such revenue has exceeded over one billion dollars (USD) internationally.

22. As a result of the long and extensive use of the Minifigure Trademarks, and the significant sales, promotion, advertising, third-party licensing, and commercial success under those marks, the Minifigure figurine has achieved such widespread public exposure and recognition that it is distinctive and is well-known and famous among the general consuming public of the United States and abroad.

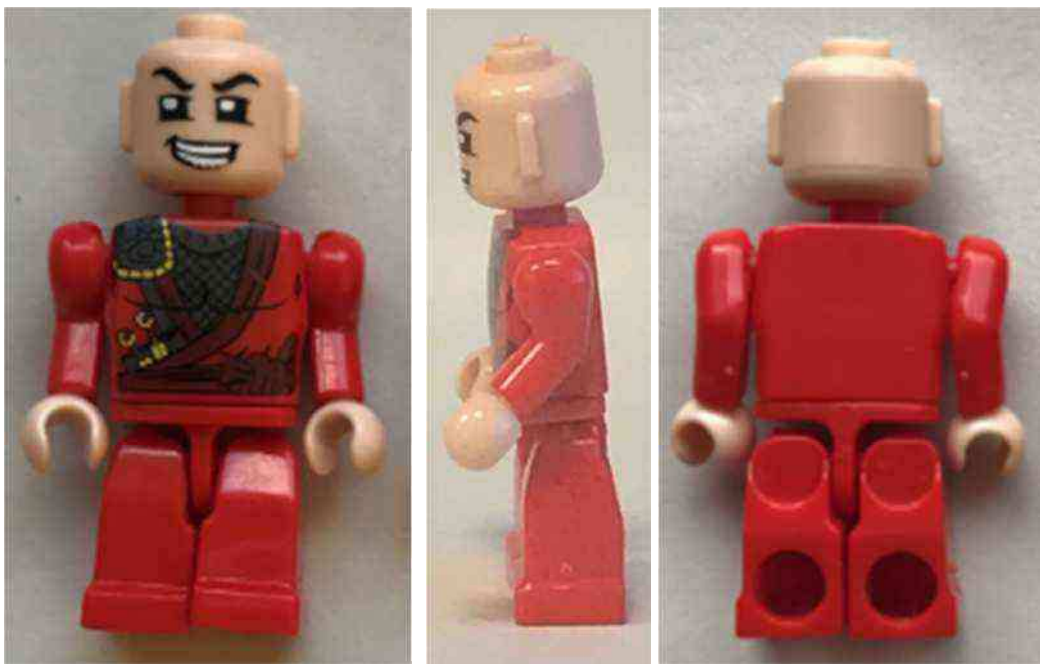
### **ZURU'S INFRINGING FIGURINES AND INFRINGING IMAGES**

#### **A. ZURU's Infringing Figurines**

23. ZURU sells figurines (the "Infringing Figurines") in its Max Build More 15 Max Figures sets, below, that are confusingly, strikingly and substantially similar to the overall look and feel of the LEGO® Minifigure figurine.



**Set of ZURU Infringing Figurines**



**Representative ZURU Infringing Figurine**

24. The images below show different views of the copyrighted and trademarked LEGO® Minifigure figurine and a ZURU Infringing Figurine:



**Comparison of LEGO® Minifigure figurine and ZURU Infringing Figurine**



**Comparison of LEGO® Minifigure figurine sets and ZURU Infringing Figurine sets**



**Alternating LEGO® Minifigure figurines and ZURU Infringing Figurines**

25. The Infringing Figurines are advertised on ZURU's websites, <https://buildtothemax.zuru.com> (the "Max Website") and <https://zuru.com> (the "ZURU Website").

26. The Max Website provides links to purchase the Infringing Figurines from Walmart on [www.walmart.com](http://www.walmart.com) (the “Walmart Website”) and The Warehouse on [www.thewarehouse.co.nz](http://www.thewarehouse.co.nz) (the “Warehouse Website”).

27. The Infringing Figurines are also sold by Walmart in its retail locations throughout the United States, including several Connecticut locations.

28. Upon information and belief, the Max Build More 15 Max Figure sets are sold by Walmart on the Walmart Website and in retail locations for \$12.97.

29. Upon information and belief, the Max Build More products became available for sale to the public through Walmart retail locations and the Walmart Website on or about October 1, 2018.

30. Oftentimes, the products appear next to each other on racks in aisles, further exacerbating the risk of confusion.







31. ZURU's Infringing Figurines are unauthorized reproductions of the LEGO Group's copyrights and trademarks including the Minifigure Copyrights and Minifigure Trademarks.

32. Upon information and belief, ZURU has had actual notice of the LEGO Group's copyrights and trademarks including the Minifigure Copyrights and Minifigure Trademarks in and to the Minifigure figurine since at least as early as August 17, 2017.

33. Upon information and belief, the Infringing Figurines lack the Minifigure figurine's "clutch power," *i.e.* the ability for the elements to snap together tightly. The torso and leg components of the Infringing Figurines do not snap together tightly. The feet of the Infringing Figurine also do not snap together tightly with ZURU's other building brick elements. The arms of the Infringing Figurines easily snap off and the hand elements easily dislodge from the arms. These are known problems with the Infringing Figurines, as shown in a customer review on Walmart.com for the Max Build More 15 Max Figure set, shown below:

★★★★

Awesome set my boys love them! The Only problem is the body comes apart extremely easy. So, one thing id suggest is hot glueing the legs and body together so they dont come apart easily when your kids are playing with them.

Ashley, October 25, 2018



**Walmart.com Customer Review of Infringing Figurines**

34. The construction toy market is highly competitive. Selling products that infringe the LEGO Group's copyrights and trademarks will allow ZURU to increase its market share and sales, and enable ZURU to establish relationships with customers, and licensors potentially, for whom the LEGO Group competes. That potential injury to the LEGO Group is unquantifiable.

35. The LEGO Group has no agreement of any kind with ZURU that would authorize the manufacture or sale of the Infringing Figurines. The Infringing Figurines are sold through many of the same trade channels as the LEGO® Minifigure figurine.

**ZURU's Infringing Images**

36. The product packaging for the Infringing Figures, as well as product packaging for ZURU's Max Build More and Mayka Toy Block Tape lines of construction toys, display cartoon images (the "Infringing Images") that are confusingly and substantially similar to the overall look and feel of the Minifigure figurine. Examples of the Infringing Images are provided below:



**Infringing Images on Max Build More 15 Max Figures**



**Infringing Images on Max Build More 15 Max Figures**



**Infringing Image on Max Build More Building Bricks Value Sets (250, 759 and 253 Pieces)**



Infringing Images on Max Build More Base Plate



**Infringing Images on Mayka Toy Block Tape products**

37. The Infringing Images are displayed on ZURU’s websites, <https://buildtothemax.zuru.com> (the “Max Website”), [www.maykaworld.com](http://www.maykaworld.com) (the “Mayka Website”) and <https://zuru.com> (the “ZURU Website”).

38. The Max Website provides links to purchase Max Build More products displaying the Infringing Images from the Walmart Website and the Warehouse Website.

39. The Mayka Website provides links to purchase Mayka Toy Block Tape products displaying the Infringing Images from the Walmart Website.

40. The Mayka Toy Block Tape products displaying the Infringing Images are available for sale by many online retailers, including Amazon.

41. The Max Build More and Mayka Toy Block Tape lines of construction toys displaying the Infringing Images are sold by Walmart and Target in their retail locations throughout the United States, including several Connecticut locations.

42. ZURU's Infringing Images are unauthorized reproductions of the LEGO Group's copyrights and trademarks including the Minifigure Copyrights and Minifigure Trademarks.

43. The LEGO Group has no agreement of any kind with ZURU that would authorize the manufacture or sale of the Infringing Products or Infringing Images.

#### **THE LEGO GROUP'S DESIGN PATENTS**

44. The LEGO Group is famous throughout the world for its toy construction products. Over the course of more than 50 years, the LEGO Group has designed and sold thousands of different unique bricks and building elements. The ornamental designs of many of its bricks and building elements are protected by United States design patents.

45. LAS owns U.S. Patent No. D701,923S ("the '923 Patent"), U.S. Patent No. D688,328S ("the '328 Patent"), U.S. Patent No. D641,053S ("the '053 Patent") and U.S. Patent No. D614,707S ("the '707 Patent") (collectively the "Asserted Patents.") Each of the Asserted Patents remains in full force and effect.

46. The '923 Patent, entitled "Building Block From A Toy Building Set," was duly and legally issued on April 1, 2014 to LAS as assignee. A copy of the '923 Patent is attached hereto as Exhibit D.

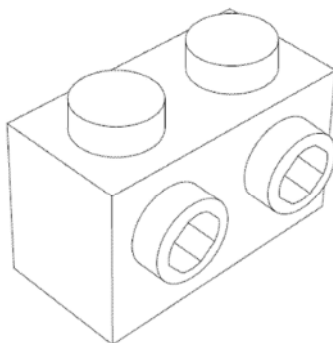


FIG. 7

**Figure 7 of the '923 Patent**

47. The '328 Patent, entitled "Building Block From A Toy Building Set," was duly and legally issued on August 20, 2013 to LAS as assignee. A copy of the '328 Patent is attached hereto as Exhibit E.

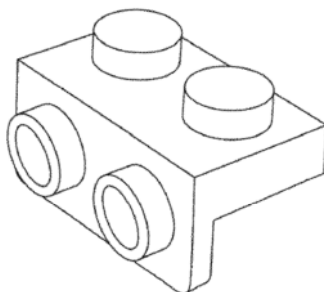
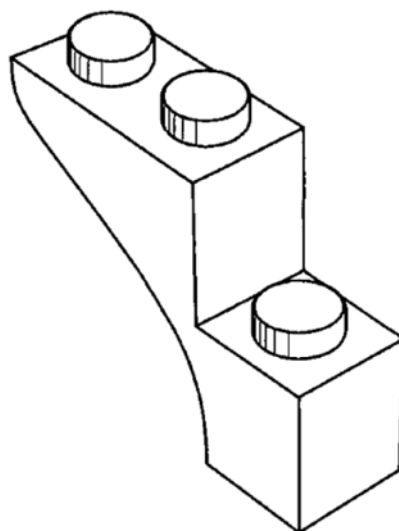


FIG. 1

**Figure 1 of the '328 Patent**

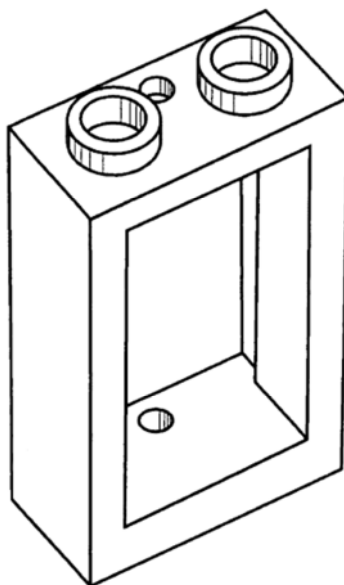
48. The '053 Patent, entitled "Element Of A Construction Set," was duly and legally issued on July 5, 2011 to LAS as assignee. A copy of the '053 Patent is attached hereto as Exhibit F.





**Figure 1 of the '053 Patent**

49. The '707 Patent, "Element For A Toy Construction Set," was duly and legally issued on April 27, 2010 to LAS as assignee. A copy of the '707 Patent is attached hereto as Exhibit G.



**Figure 1 of the '707 Patent**

**ZURU’S INFRINGING BRICKS**

50. ZURU manufactured, sold, offered to sell and imported and/or currently manufactures, sells, offers to sell, and imports, in the United States certain building bricks that are substantially similar to the Asserted Patents (the “Infringing Bricks”) in at least three different products: the Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), and the Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces).

51. Photos of the Infringing Bricks are displayed on the Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), and the Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces), as shown below:

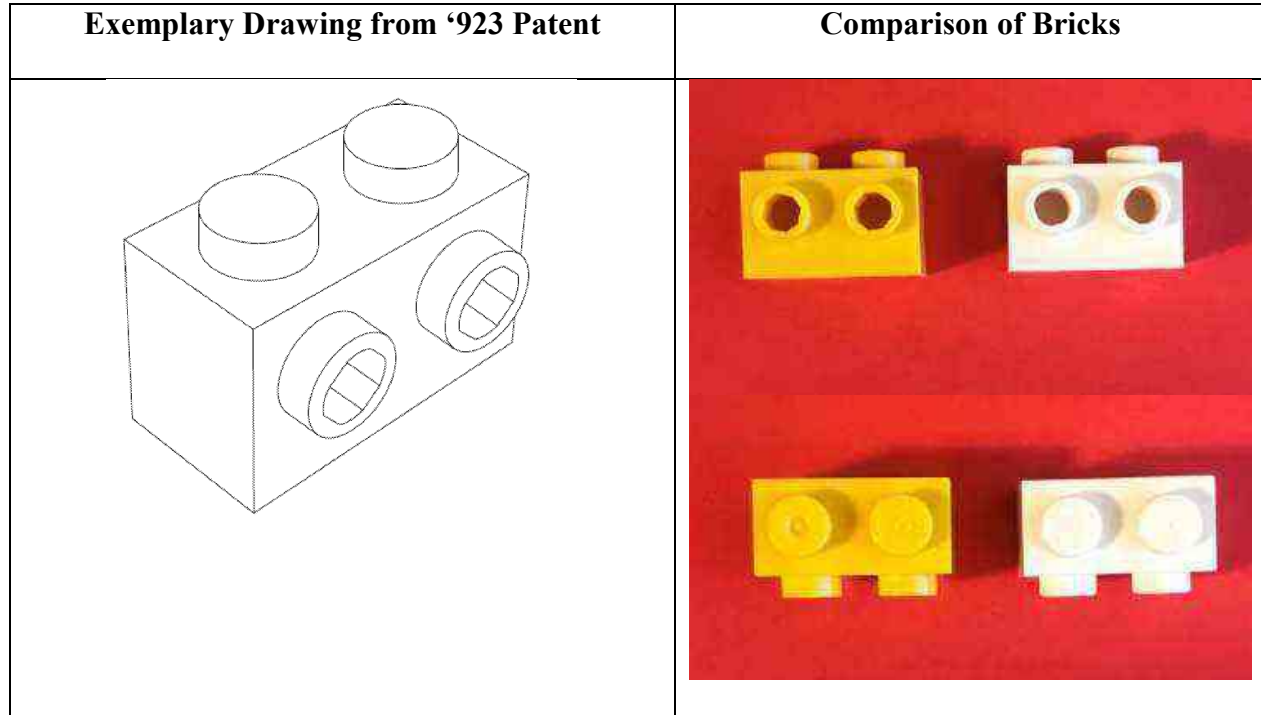


**Infringing Bricks on Max Build More Building Bricks Value Set (759 Pieces)**

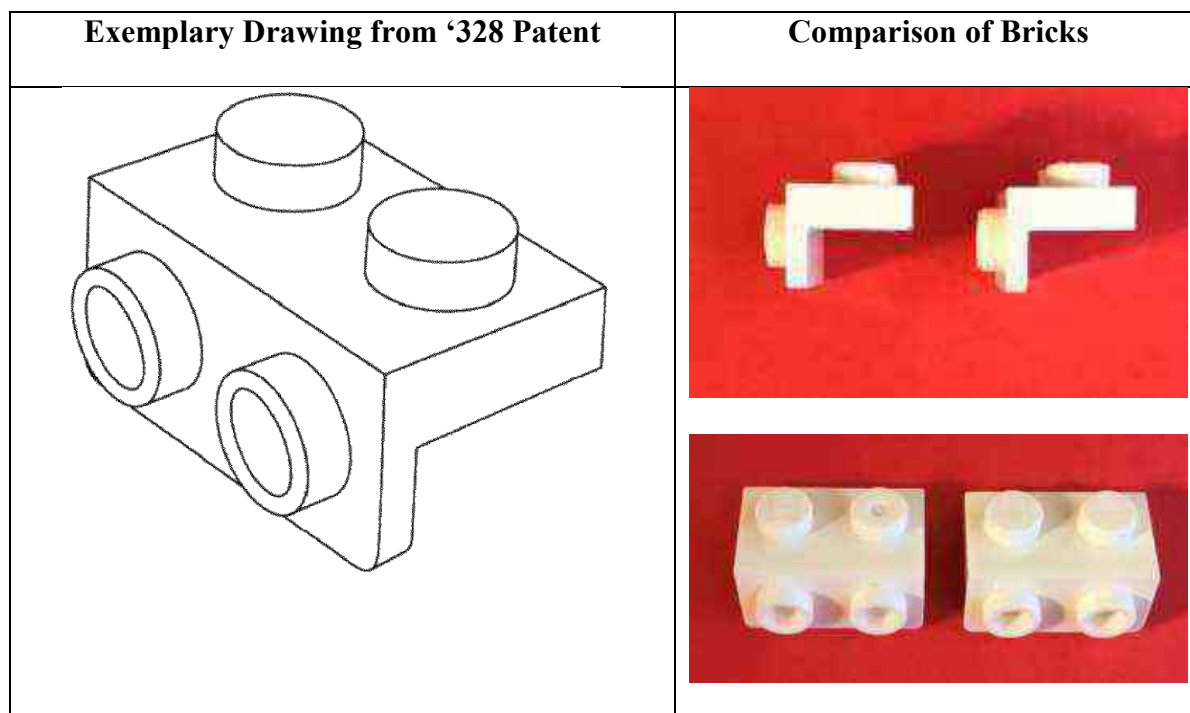




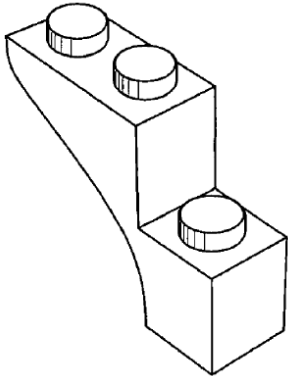
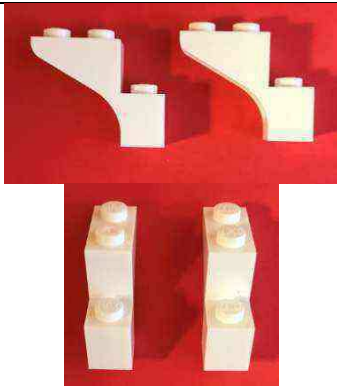
(left) compared to images of a genuine LEGO® brick embodying the ‘923 Patent (right) is provided below:



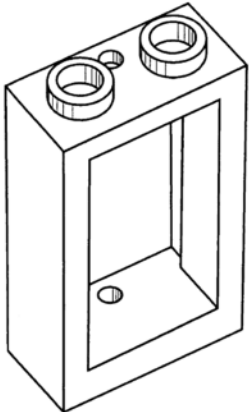
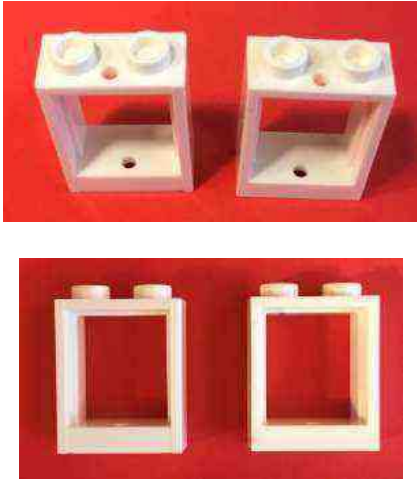
53. Each Max Build More Building Bricks Value Set (759 Bricks) contains twenty-four (24) Infringing Bricks that are substantially similar to the ‘328 Patent. Each Max Build More Building Bricks Value Set (253 Bricks) contains eight (8) Infringing Bricks that are substantially similar to the ‘328 Patent. A claim chart for the ‘328 Patent is attached hereto as Exhibit I. A chart providing an exemplary drawing from the ‘328 Patent and images of an Infringing Brick (left) compared to images of a genuine LEGO® brick embodying the ‘328 Patent (right) is provided below:



54. Max Build More Building Bricks Value Set (759 Bricks) contains twenty-four (24) Infringing Bricks that are substantially similar to the '053 Patent. Each Max Build More Building Bricks Value Set (253 Bricks) contains eight (8) Infringing Bricks that are substantially similar to the '053 Patent. A claim chart for the '053 Patent is attached hereto as Exhibit J. A chart providing an exemplary drawing from the '053 Patent and images of an Infringing Brick (left) compared to images of a genuine LEGO<sup>®</sup> brick embodying the '053 Patent (right) is provided below:

Exemplary Drawing from '053 Patent	Comparison of Bricks
	

55. Each Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces) contains ten (10) Infringing Bricks that are substantially similar to the '707 Patent. A claim chart for the '707 Patent is attached hereto as Exhibit K. A chart providing an exemplary drawing from the '707 Patent and images of an Infringing Brick (left) compared to images of a genuine LEGO<sup>®</sup> brick embodying the '707 Patent (right) is provided below:

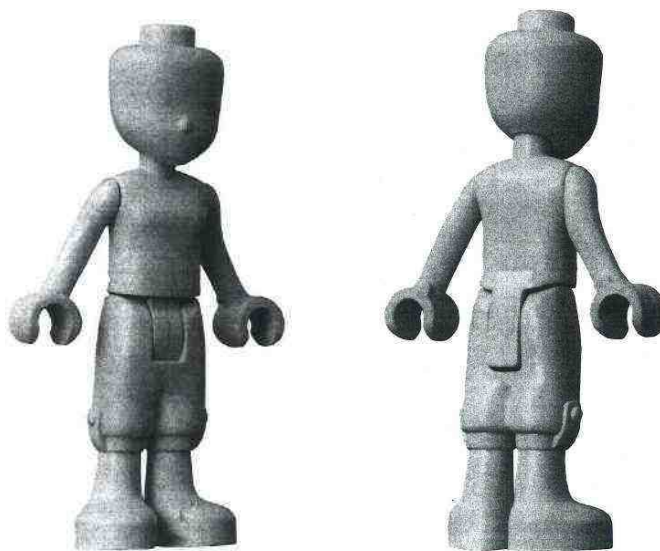
Exemplary Drawing from '707 Patent	Comparison of Bricks
	

56. The LEGO Group has no agreement of any kind with ZURU that would authorize the manufacture, sale, offering to sell, or importation of the Infringing Bricks.

**THE LEGO GROUP'S FRIENDS™ FIGURINE COPYRIGHTS**

57. In 2012, the LEGO Group introduced its Friends™ line of toy products, including a series of miniature figurines (the “Friends figurine”) representative of LEGO® Friends™ characters.

58. LAS owns numerous copyrights registered with the United States Copyright Office, including Registration Numbers VA 1-876-291, VA 1-876-279, VA 1-876-378, and VA 1-876-373 (“the Friends Copyrights”) , protecting the 3D sculpture and derivative works of the Friends figurine. Copies of the deposit material maintained by the United States Copyright Office as part of the Registered Copyrights are attached as Exhibits L, M, N, O.

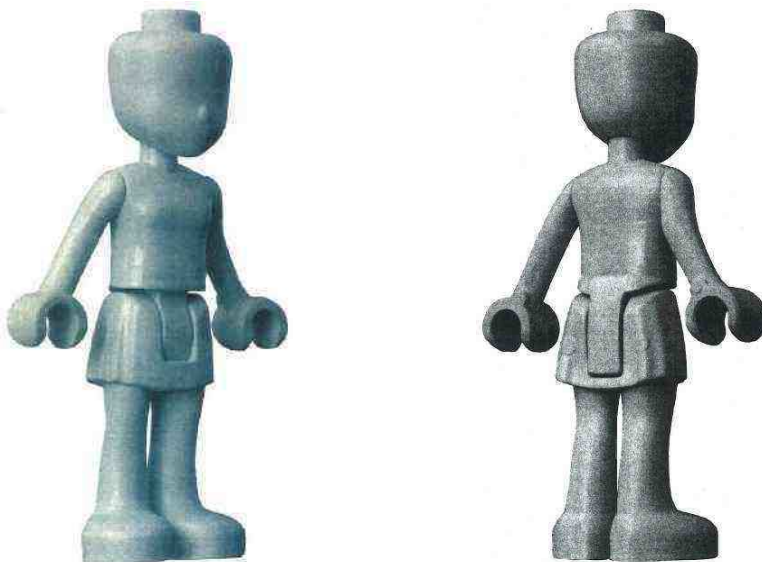


**VA 1-876-291: Figure with Capri Pants (FRONT and REAR)**

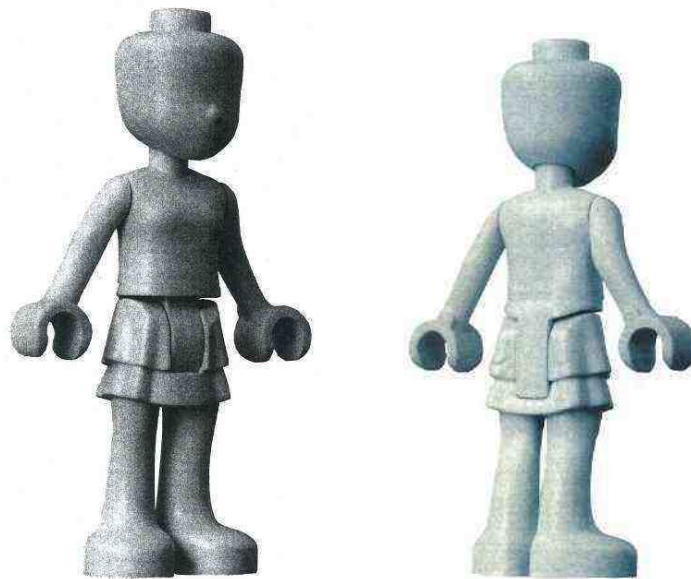




**VA 1-876-279: Figure with Rolled Shorts (FRONT and REAR)**



**VA 1-876-378: Figure with Skirt (FRONT and REAR)**



**VA 1-876-373: Figure with Tiered Skirt (FRONT and REAR)**

59. Since at least 2012, the LEGO Group has continuously displayed “© LEGO” in the plastic of the Friends figurine in various locations. For example, in the images below, “© LEGO” is in the plastic of each element comprising the Friends figurine:



**© LEGO located on top of head element of Friend figurine**



**© LEGO located on back of arm element of Friend figurine**



**© LEGO located on the bottom of leg element of Friend figurine**



**© LEGO located on back of torso element of Friend figurine**

60. Since at least 2012, the LEGO Group has continuously displayed the © symbol in connection to the Friends figurine on various product packaging.

61. The Friends figurine has been sold in numerous varieties of LEGO<sup>®</sup> brand toy sets since 2012 and that the LEGO Group has undertaken substantial promotional, advertising, and marketing efforts related to the Friends figurine for the last six years. The LEGO Group spent \$40 million on global marketing for the Friends<sup>™</sup> line of products in 2012 alone. The LEGO Group's Friends<sup>™</sup> line of products have been widely-recognized in the international toy community, winning "Toy of the Year" for the best toy overall in 2013 at the 2013 International Toy Fair in New York, New York. Additional awards won by LEGO Group's Friends<sup>™</sup> products include: "Best Toy" in the six-to-ten age group at the 2012 Nuremburg Toy Fair; 2013 "Activity Toy of the Year"; and 2013 "Girl Toy of the Year" at the 2013 International Toy Fair in New York, New York. LEGO<sup>®</sup> Friends<sup>™</sup> products were also nominated for 2014 "Girl Toy of the Year" at the 2014 International Toy Fair in New York, New York.

**ZURU'S INFRINGEMENT OF THE FRIENDS™ FIGURINE COPYRIGHTS**

62. ZURU uses an image on product packaging for its Mayka Toy Block Tape that is strikingly and substantially similar to the overall look and feel of the Friends Copyrights (the “Infringing Friends Image”), as shown below:



**Infringing Friends Image on Mayka Toy Block Tape**

63. A side by side comparison of the Infringing Friends Image and an image from the Friends Copyright VA 1-876-378 and a genuine LEGO® Friends™ figurine protected by the Friends Copyrights is provided below:



**Infringing Friends Image and Image from Friends Copyright VA 1-876-291**



**Infringing Friends Image and LEGO® Friends figurine**

64. The Infringing Friends Image is included on product packaging for Mayka Toy Block Tape displayed and sold at least on Walmart.com and Amazon.com.

65. The Infringing Friends Image is an unauthorized reproduction of the Friends Copyrights.

66. The LEGO Group has no agreement of any kind with ZURU that would authorize the creation or sale of the Infringing Friends Image.

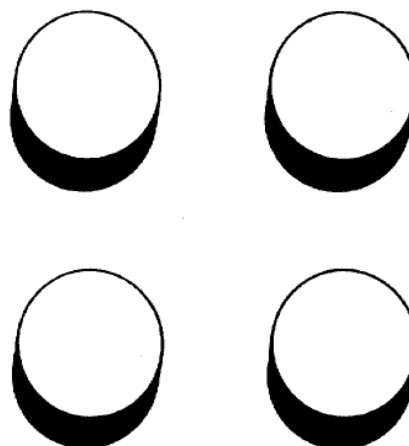
#### **THE LEGO GROUP'S "STUD" TRADEMARKS**

67. In 1958, the LEGO<sup>®</sup> brand of construction toys bearing distinctive cylindrical studs for interconnectivity was launched. The familiar repeating cylindrical stud design has been used by the LEGO Group in connection with a wide assortment of goods and services since that time.

68. LJAS owns numerous trademarks registered with the United States Patent & Trademark Office, including Registration Numbers 2,273,314 and 2,273,321 for cylindrical surface features, covering, "*toy figures and construction toys,*" amongst other goods, in Class 28 ("the Registered Cylinder Trademarks"). A copy of the Registration Certificates for the Registered Cylinder Trademarks are attached as Exhibits P and Q.



**USPTO Registration No. 2,273,314**



**USPTO Registration No.**

**2,273,321**

69. LJAS also owns U.S. Registration Number 2,922,658 for an eight-stud brick, covering, “*construction toys*” in Class 28 (“the Registered Brick Trademark”) (together with the Registered Cylinder Trademarks, the “Stud Trademarks”). A copy of the Registration Certificate for the Registered Brick Trademark is attached as Exhibit R.



**USPTO Registration No. 2,922,658**

70. The LEGO Group has common law trademark rights in the Registered Cylinder Trademarks set forth in Exhibits P and Q by virtue of its continuous use of the marks in commerce throughout the United States since 1961.

71. The LEGO Group has common law trademark rights in the Registered Brick Trademark set forth in Exhibit R, by virtue of its continuous use of the marks in commerce throughout the United States since 1987.

72. The LEGO Group has established valuable trademark rights and goodwill in the Stud Trademarks by virtue of its long use and registration of the trademarks, the substantial promotional and marketing efforts under the trademarks, the expenditure of vast sums in advertising and promotional activities under those trademarks, and third-party licensing agreements.

73. The products and services offered, sold, and advertised in connection with the Stud Trademarks have generated substantial revenue. Such revenue has exceeded over one billion dollars (USD) internationally.

74. As a result of the long and extensive use of the Stud Trademarks, and the significant sales, promotion, advertising, third-party licensing, and commercial success under those marks, the Stud Trademarks have achieved such widespread public exposure and recognition that it is distinctive and is well-known and famous among the general consuming public of the United States and abroad.

#### **ZURU'S INFRINGEMENT OF THE LEGO GROUP'S STUD TRADEMARKS**

75. ZURU uses cylindrical protrusions and construction bricks as source identifiers (the "Infringing Stud Trademarks"), that are confusingly similar to the LEGO Group's Stud Trademarks.



76. ZURU uses a three “stud” construction brick in its Max Build More logo (the “Max Logo”), shown below:



**Max Logo Infringing Stud Trademarks**

77. ZURU uses the Max Logo in connection with the sale of a line of construction brick toys, currently comprising: the Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), the Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces), and Max Build More Base Plates.

78. ZURU uses a three-dimensional, eight-stud brick as a source identifier on the following sets: the Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), the Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces). An example is provided below:



**ZURU's Infringing Eight-stud Brick Source Identifier**



**ZURU's Infringing Eight-stud Brick Source Identifier**



**USPTO Registration No. 2,922,658**

79. ZURU uses a repeating “stud” pattern on all products in its Max Build More and Mayka Toy Block Tape lines of construction toys. Examples are provided below:



**Infringing Stud Trademarks**



**Infringing Stud Trademarks**

80. ZURU uses lettering with cylindrical protrusions in its MAYKA logo, as shown below:



**Infringing Stud Trademarks**

81. ZURU uses a three-dimensional, four-stud brick as a source identifier on its Infringing Figurines set. An example is provided below:



82. ZURU uses a three-dimensional repeating stud pattern on the lids of the containers in the following sets: the Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), the Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces). An example is provided below:



### **ZURU's Infringing Stud Trademarks**

83. ZURU's use of cylindrical protrusions and construction bricks as source identifiers for toy figures and construction toy products is confusingly similar to the Stud Trademarks.

84. The LEGO Group has no agreement of any kind with ZURU that would authorize the use of the Stud Trademarks.

**THE LEGO GROUP'S TRADE DRESS**

85. Since as early as 1959, the LEGO Group has used a color scheme consisting of the colors red, yellow, black, and white (the "Color Scheme"). While company indicia has evolved and modernized over time, this color scheme has remained constant for nearly 60 years.

86. The Color Scheme is present in the LEGO Group's world-famous LEGO<sup>®</sup> logo (the "Red Square Logo"), and used in connection with product packaging for a number of construction toys and figurines, retail store interior design, retail store bags, amongst many other uses.



**LEGO<sup>®</sup> Red Square Logo**

87. Through continuous use for more than half a century, the Color Scheme has acquired distinctiveness as a brand identifier for the LEGO Group and signifies the high quality goods and services consumers expect from them.

88. The Color Scheme has no function other than to serve as a brand identifier for the LEGO Group.

89. The LEGO Group has common law trade dress rights (the “Trade Dress”) in the Color Scheme by virtue of its continuous use in commerce throughout the United States for nearly 60 years.

**ZURU’S INFRINGEMENT OF THE LEGO GROUP’S TRADE DRESS**

90. ZURU has adopted a color scheme that is not only confusingly similar, but is identical, to the LEGO Group’s Trade Dress.

91. ZURU has adopted the colors red, yellow, black, and white (the “Infringing Trade Dress”) for its Max Build More and Mayka Toy Block Tape lines of construction toys.

92. ZURU uses the Infringing Trade Dress in connection with each product in its Max Build More and Mayka Toy Block Tape lines of construction toys. Examples of the Infringing Trade Dress are shown below:



**ZURU Max Build More logo and the LEGO® Red Square logo**



**ZURU's Infringing Trade Dress**



**ZURU's Infringing Trade Dress**

93. ZURU's use of the Infringing Trade Dress in connection with toy figures and construction toy products is confusingly similar to the Trade Dress.

94. The LEGO Group has no agreement of any kind with ZURU that would authorize the use of the Trade Dress.

COUNT I

**(Copyright Infringement of Minifigure figurine)**

95. The LEGO Group hereby repeats and realleges paragraphs 1 through 94 of this Complaint as if fully set forth herein.

96. The copyrighted Minifigure figurine comprises, in whole or in part, wholly original works of authorship that are copyrightable subject matter under the copyright laws of the United States, 17 U.S.C. §§ 101, *et seq.* The LEGO Group has complied in all respects with the laws governing copyright and has secured the rights and privileges in, to, and under the Minifigure Copyrights in the Minifigure figurine.

97. In violation of the LEGO Group's exclusive rights in the Minifigure figurine and the Minifigure Copyrights, ZURU has sold, and continues to sell, Infringing Figurines that are strikingly and substantially similar to the overall look and feel of the Minifigure figurine.

98. ZURU's unlawful conduct constitutes infringement of the LEGO Group's exclusive rights in the Minifigure Copyrights, including without limitation the LEGO Group's rights under 17 U.S.C. § 106.

99. Upon information and belief, as a direct and proximate result of ZURU's wrongful conduct, ZURU has realized and continues to realize profits and other benefits rightfully belonging to the LEGO Group.

100. As a result of ZURU's unlawful conduct, the LEGO Group has suffered and will continue to suffer damages.

101. The LEGO Group has suffered and will continue to suffer irreparable harm from ZURU's infringing acts, unless ZURU's infringement is enjoined.



## COUNT II

### **(Trademark Infringement Under Section 32(a) of the Lanham Act, 15 U.S.C. § 1114(a))**

102. The LEGO Group hereby repeats and realleges paragraphs 1 through 94 of this Complaint as if fully set forth herein.

103. Without the LEGO Group's consent, ZURU used and continues to use in commerce the Infringing Figurines, and the Infringing Stud Trademarks, as described above, in connection with the offering, sale, and advertising of toy figures and construction toy products, which are likely to cause confusion, or to cause mistake, or to deceive, in violation of Section 32 of the Lanham Act, 15 U.S.C. § 1114.

104. Upon information and belief, the actions of ZURU described above have at all times relevant to this action been willful.

105. As a direct and proximate result of the actions of ZURU alleged above, the LEGO Group has been damaged and will continue to be damaged.

106. The LEGO Group has suffered and will continue to suffer irreparable harm from ZURU's infringing acts, unless ZURU's infringement is enjoined.

## COUNT III

### **(Trademark Infringement, False Designation of Origin, and Unfair Competition Under Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A))**

107. The LEGO Group hereby repeats and realleges paragraphs 1 through 94 of this Complaint as if fully set forth herein.

108. The actions of ZURU relating to the Infringing Figurines and Infringing Stud Trademarks are likely to cause confusion, mistake, or deception as to the origin, sponsorship, or

approval of the products and services and commercial activities of ZURU, and thus constitute trademark infringement, false designation of origin, and unfair competition with respect to the Minifigure Trademarks and Stud Trademarks, in violation of Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A).

109. Upon information and belief, the actions of ZURU described above have at all times relevant to this action been willful.

110. As a direct and proximate result of the actions of ZURU alleged above, the LEGO Group has been damaged and will continue to be damaged.

111. The LEGO Group has suffered and will continue to suffer irreparable harm from ZURU's infringing acts, unless ZURU's infringement is enjoined.

#### COUNT IV

#### **(Common Law Trademark and Trade Dress Infringement, Unfair Competition, and Misappropriation)**

112. The LEGO Group hereby repeats and realleges paragraphs 1 through 94 of this Complaint as if fully set forth herein.

113. ZURU's actions described above, including its manufacture, sale, offer for sale, display and distribution of the Infringing Products constitute common law trademark infringement, trade dress infringement, unfair competition, and misappropriation of the LEGO Group's goodwill under the common law of Connecticut and other states.

114. Upon information and belief, the actions of ZURU described above have at all times relevant to this action been willful.

115. As a direct and proximate result of the actions of ZURU alleged above, the LEGO Group has been damaged and will continue to be damaged.

116. The LEGO Group has suffered and will continue to suffer irreparable harm from ZURU's infringing acts, unless ZURU's infringement is enjoined.

**COUNT V**

**(Copyright Infringement of Friends figurine)**

117. The LEGO Group hereby repeats and realleges paragraphs 1 through 94 of this Complaint as if fully set forth herein.

118. The copyrighted Friends figurine comprises, in whole or in part, wholly original works of authorship that are copyrightable subject matter under the copyright laws of the United States, 17 U.S.C. §§ 101, *et seq.* The LEGO Group has complied in all respects with the laws governing copyright and has secured the rights and privileges in, to, and under the Friends Copyrights in the Friends figurine.

119. In violation of the LEGO Group's exclusive rights in the Friends figurine and the Friends Copyrights, ZURU has sold, and continues to sell, products including an Infringing Friends Image that is strikingly and substantially similar to the overall look and feel of the Friends figurine.

120. ZURU's unlawful conduct constitutes infringement of the LEGO Group's exclusive rights in the Friends Copyrights, including without limitation the LEGO Group's rights under 17 U.S.C. § 106.

121. Upon information and belief, as a direct and proximate result of ZURU's wrongful conduct, ZURU has realized and continues to realize profits and other benefits rightfully belonging to the LEGO Group.

122. As a result of ZURU's unlawful conduct, the LEGO Group has suffered and will continue to suffer damages.

123. The LEGO Group has suffered and will continue to suffer irreparable harm from ZURU's infringing acts, unless ZURU's infringement is enjoined.

**COUNT VI**

**(Infringement of Asserted Patents Under 35 U.S.C. §§ 271 and 289)**

124. The LEGO Group hereby repeats and realleges paragraphs 1 through 94 of this Complaint as if fully set forth herein.

125. ZURU has been and presently is infringing the Asserted Patents within this judicial district and elsewhere by making and selling Infringing Bricks that embody the patented designs disclosed in the Asserted Patents. ZURU's Infringing Bricks are included in at least certain sets identified in the Max Build More line of construction toy products: the Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), and the Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces).

126. ZURU's Infringing Bricks so closely resemble the Asserted Patents that an ordinary observer would be deceived into purchasing the above-referenced ZURU Max Build More construction toy sets, displaying the Infringing Bricks on their product packaging, in the mistaken belief that it includes toy elements disclosed in the Asserted Patents. ZURU's Infringing Bricks infringe the Asserted Patents in violation of 35 U.S.C. §§ 271 and 289.

127. Upon information and belief, ZURU's infringement of the Asserted Patents is and has been willful.

128. The LEGO Group is entitled to recover damages adequate to compensate it for ZURU's infringement.

129. The LEGO Group has suffered and will continue to suffer irreparable harm from ZURU's infringing acts, unless ZURU's infringement is enjoined.

## COUNT VII

### **(Violation of the Connecticut Unfair Trade Practices Act)**

130. The LEGO Group hereby repeats and realleges paragraphs 1 through 94 of this Complaint as if fully set forth herein.

131. By engaging in the acts alleged above, ZURU has willfully and maliciously engaged in conduct offensive to public policy, governing statutes, common law principles, and established concepts of fairness.

132. ZURU's willful and malicious conduct was and is immoral, unethical, oppressive, and unscrupulous.

133. ZURU's conduct has caused and will continue to cause substantial injury to the LEGO Group and to the public interest.

134. ZURU committed such acts, and continues to commit such acts, in the conduct of trade or commerce.

135. The LEGO Group has suffered, and if ZURU is not enjoined will continue to suffer, an ascertainable loss of money or property as a result of ZURU's actions.

136. By virtue of the conduct above, ZURU has engaged in unfair competition and unfair or deceptive acts or practices in the conduct of trade or commerce in violation of the Connecticut Unfair Trade Practices Act, Conn. Gen. Stat. § 42-110a, *et seq.*

### **PRAYER FOR RELIEF**

**WHEREFORE**, the LEGO Group requests judgment in its favor and against ZURU as follows:

1. A judgment that ZURU has infringed the Minifigure Copyrights;
2. A judgment that ZURU has infringed the Minifigure Trademarks;
3. A judgment that ZURU has infringed the Asserted Patents;
4. A judgment that ZURU has infringed the Friends Copyrights;
5. A judgment that ZURU has infringed the Stud Trademarks;
6. A judgment that ZURU has infringed the Trade Dress;
7. For a temporary restraining order, preliminary and permanent injunction restraining ZURU, its employees, and all persons in active concert or participation with ZURU or with any of the foregoing from:
  - a. manufacturing, selling, offering for sale, displaying or authorizing the sale of products, including the Infringing Products, containing unauthorized reproductions of the copyrighted and trademarked Minifigure figurine, including any figurine or image that is substantially similar to the Minifigure Copyrights or likely to be confused with the Minifigure Trademarks;
  - b. manufacturing, selling, offering for sale, or authorizing the sale of construction toy elements that are substantially similar to the Asserted Patents, including in the Infringing Products, or applying the patent design or any colorable imitation thereof to any article of manufacture for the purpose of sale;
  - c. manufacturing, selling, offering for sale, displaying or authorizing the sale of products that make use of the Infringing Stud Trademarks including use of any trademarks that are confusingly similar to the Stud Trademarks;
  - d. manufacturing, selling, offering for sale, displaying, or authorizing the sale of products and product packaging that make use of the Infringing Trade Dress including use of any trade dress that is confusingly similar to the LEGO Group's Trade Dress;
  - e. manufacturing, selling, offering for sale, displaying or authorizing the sale of products, including the Infringing Products, containing unauthorized

reproductions of the copyrighted Friends figurine including any figurine or image that is substantially similar to the Friends Copyrights;

8. An order that ZURU be directed to file with this Court and serve on the LEGO Group within thirty days after the service of an injunction, a report, in writing and under oath, confirming all copies of the Infringing Figurines, Infringing Bricks, Infringing Images, Infringing Friends Images, products and product packaging using the Infringing Trade Dress and Infringing Stud Trademarks and means for copying the same, have been destroyed;

9. Awarding the LEGO Group its actual damages and ZURU's profits in an amount to be determined at trial or statutory damages pursuant to 17 U.S.C. § 504, 35 U.S.C. § 284, and 15 U.S.C. § 1117 and other applicable laws;

10. Awarding the LEGO Group its reasonable attorney's fees and costs; and

11. Such other and further relief as the Court deems appropriate.

**DEMAND FOR JURY TRIAL**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the LEGO Group demands trial by jury in this action of all issues triable by jury in this matter.

Dated: December 13, 2018

Respectfully submitted,

/s/ Elizabeth A. Alquist  
Elizabeth A. Alquist (ct15643)  
Eric TeVelde (ct29064)  
Melanie J. Raubeson (ct30157)  
Day Pitney LLP  
242 Trumbull Street  
Hartford, CT 06103-1212  
Phone (860) 275-0100  
Fax (860) 275-0343  
ealquist@daypitney.com  
etevelde@daypitney.com  
mraubeson@daypitney.com

*Attorneys for Plaintiffs*

LEGO A/S, LEGO SYSTEMS, INC., and  
LEGO Juris A/S





**CERTIFICATION**

I hereby certify that on December 13, 2018, a copy of the foregoing was filed electronically and served by mail on anyone unable to accept electronic filing. Notice of this filing will be sent by e-mail to all parties by operation of the Court's electronic filing system or by mail to anyone unable to accept electronic filing as indicated on the Notice of Electronic Filing. Parties may access this filing through the Court's CM/ECF System.

/s/ Elizabeth A. Alquist

Elizabeth A. Alquist

# Exhibit A



***COPY OF DEPOSIT***

**VA 655-230**

FIGURE WITH BROWN HAIR

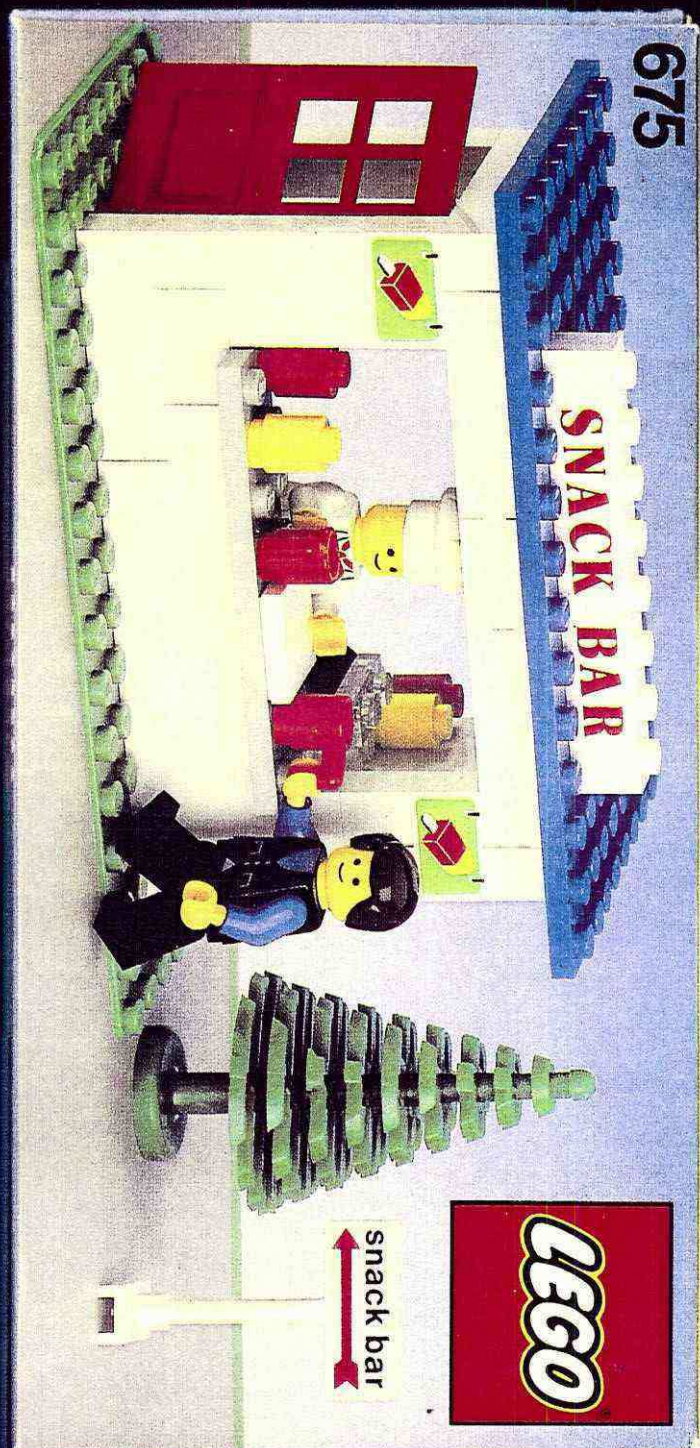


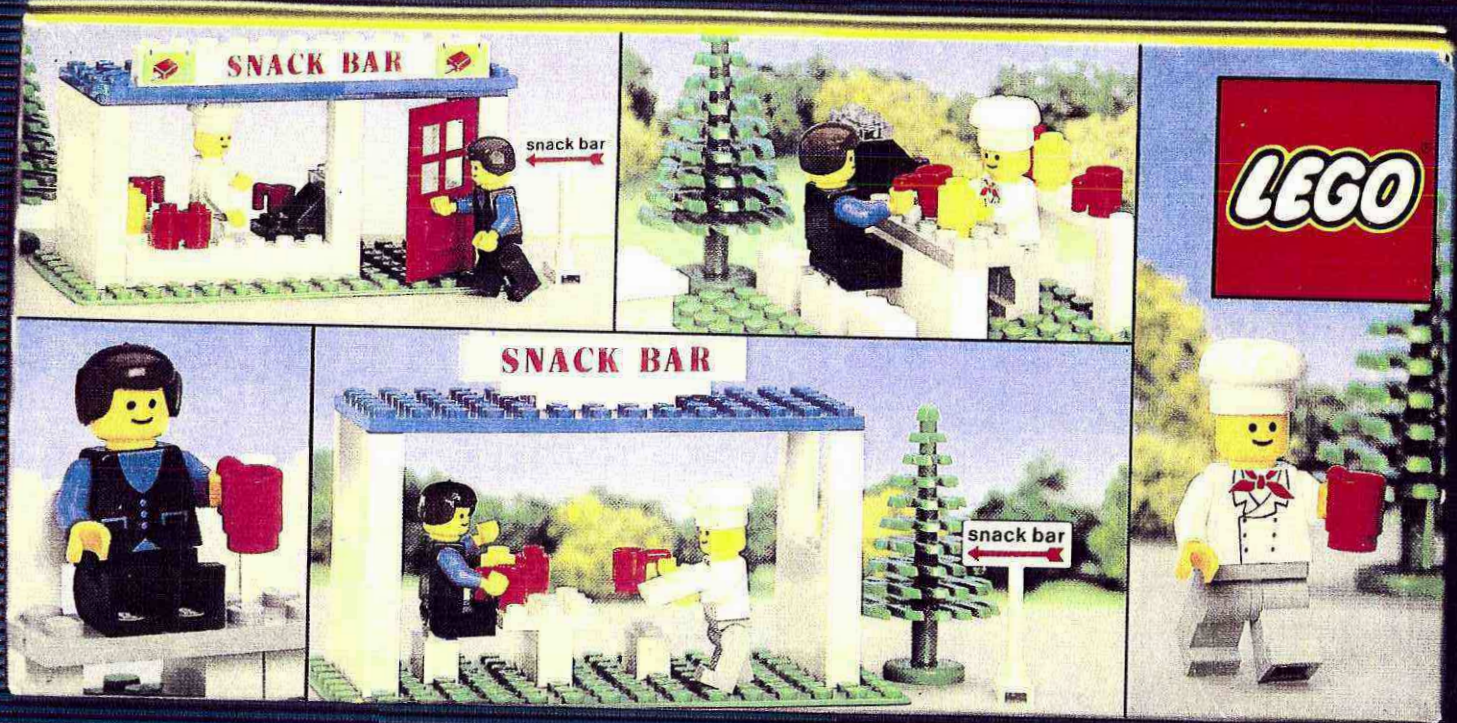
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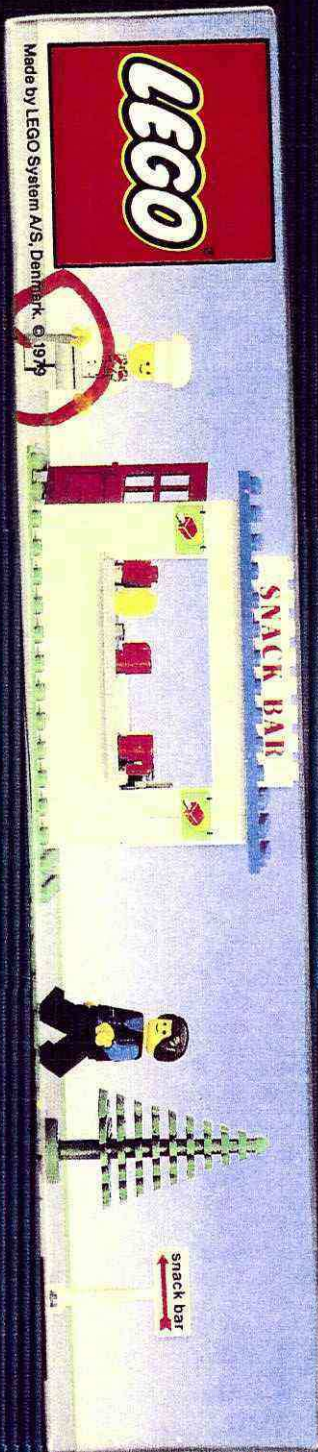


#U460006555210\*













# Exhibit B



***COPY OF DEPOSIT***

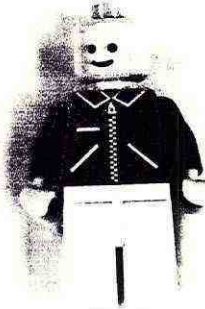
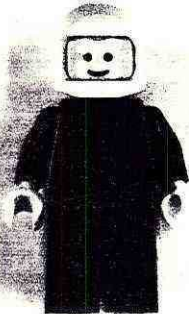
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VA 655-104

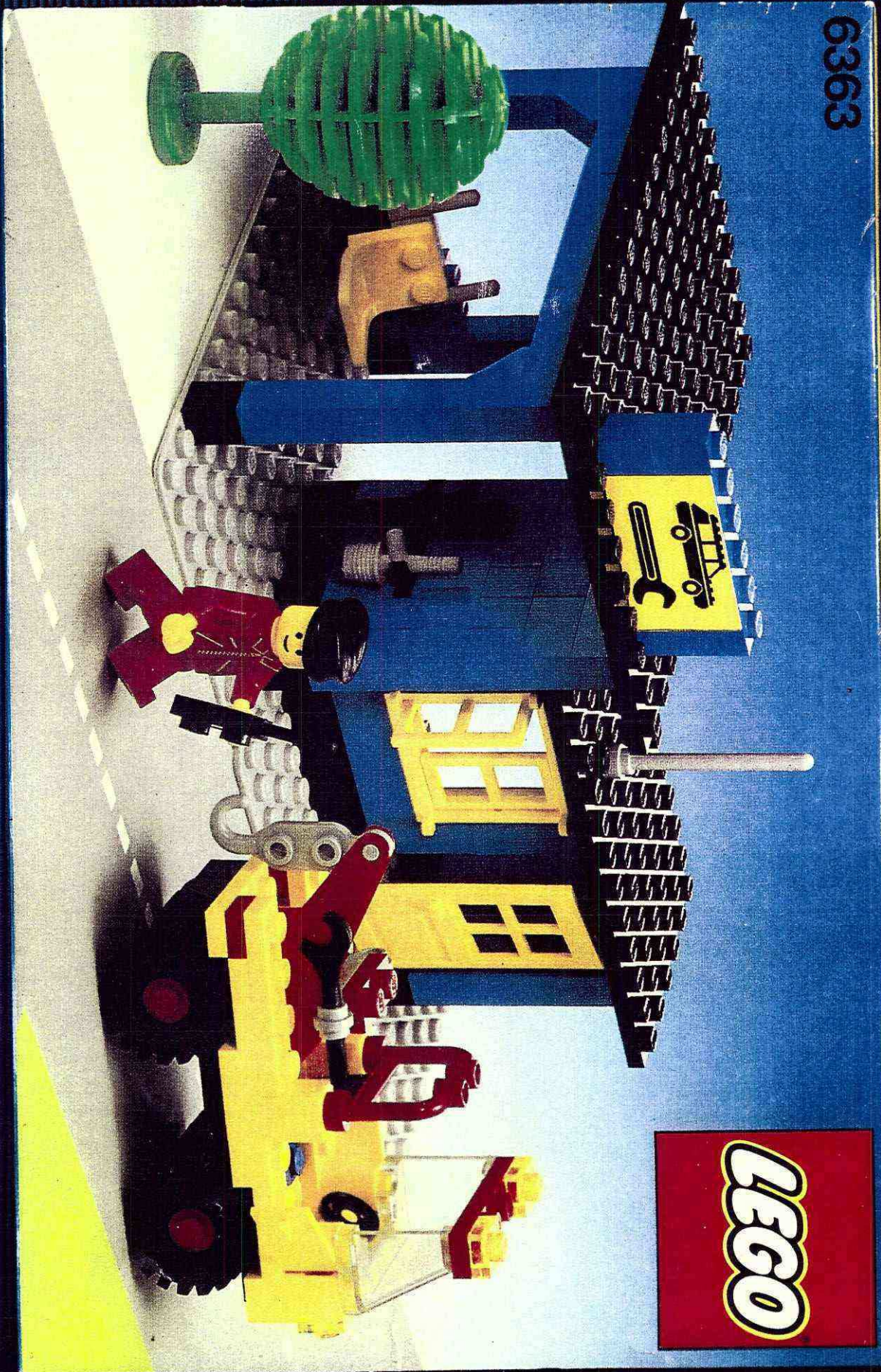


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BASIC MINIFIGURES



6363

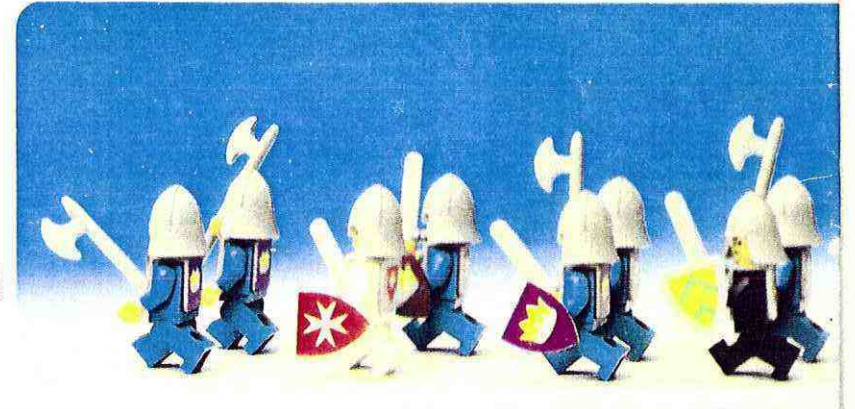


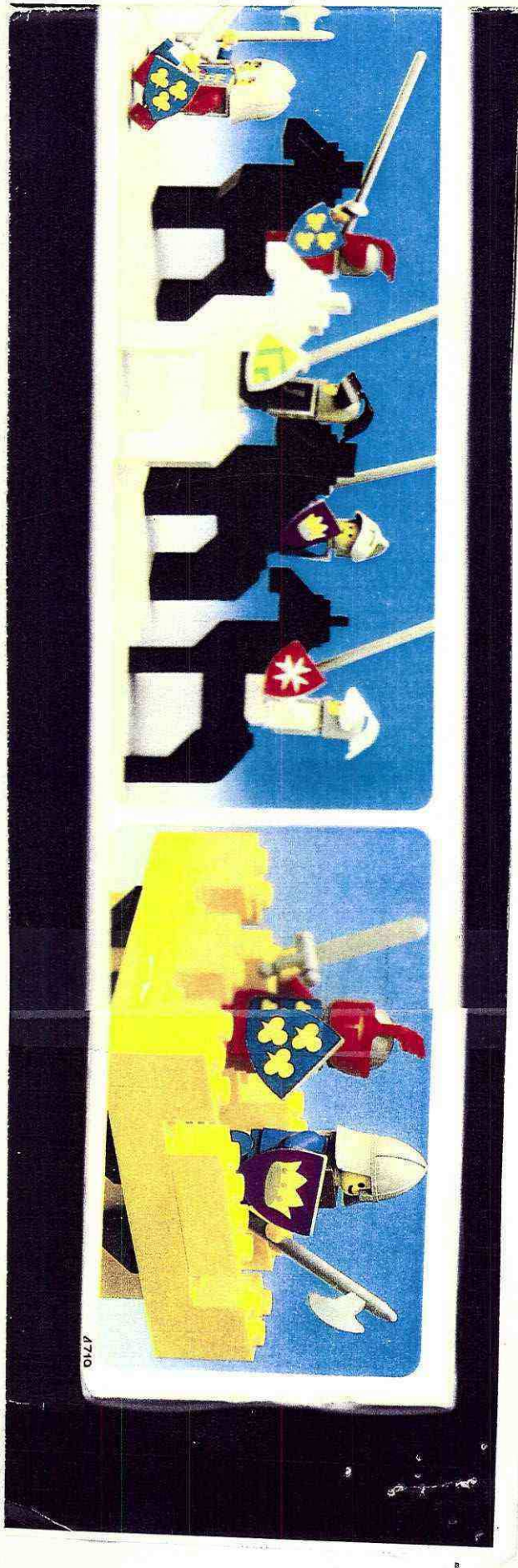
**LEGO**

**LEGO**

Made by LEGO System A/S, Denmark © 1978

From 6 years  
Ab 6 Jahre  
A partir de 6 ans  
A partir de 6 años  
Fra 6 år





# Exhibit C



# United States of America

United States Patent and Trademark Office



**Reg. No. 4,903,968**

**Registered Feb. 23, 2016**

**Int. Cl.: 28**

**TRADEMARK**

**PRINCIPAL REGISTER**

LEGO JURIS A/S (DENMARK CORPORATION)  
KOLDINGVEJ 2  
BILLUND DK-7190, DENMARK

FOR: TOY FIGURES; PLAY FIGURES; POSITIONABLE TOY FIGURES; MODELED PLASTIC TOY FIGURINES; THREE DIMENSIONAL POSITIONABLE TOY FIGURES SOLD AS A UNIT WITH OTHER TOYS; CONSTRUCTION TOYS; TOY CONSTRUCTION SETS, IN CLASS 28 (U.S. CLS. 22, 23, 38 AND 50).

OWNER OF ERPN CMNTY TM OFC REG. NO. 000050450, DATED 4-18-2000, EXPIRES 4-1-2016.

OWNER OF U.S. REG. NO. 4,520,327.

THE MARK CONSISTS OF THE THREE-DIMENSIONAL CONFIGURATION OF A TOY FIGURE FEATURING A CYLINDRICAL HEAD, ON TOP OF A CYLINDRICAL NECK, ON TOP OF A TRAPEZOIDAL TORSO OF UNIFORM THICKNESS, WITH FLAT SIDES AND A FLAT BACK, WHERE ARMS ARE MOUNTED SLIGHTLY BELOW THE UPPER SURFACE OF THE TORSO, ON TOP OF A RECTANGULAR PLATE, ON TOP OF LEGS WHICH BULGE FRONTWARDS AT THE TOP AND ARE OTHERWISE RECTANGULAR WITH UNIFORM THICKNESS, ON TOP OF FLAT SQUARE FEET.

SEC. 2(F).

SER. NO. 86-537,461, FILED 2-17-2015.

ELLEN B. AWRICH, EXAMINING ATTORNEY



*Michelle K. Lee*

Director of the United States  
Patent and Trademark Office

**REQUIREMENTS TO MAINTAIN YOUR FEDERAL  
TRADEMARK REGISTRATION**

**WARNING: YOUR REGISTRATION WILL BE CANCELLED IF YOU DO NOT FILE THE  
DOCUMENTS BELOW DURING THE SPECIFIED TIME PERIODS.**

**Requirements in the First Ten Years\***

**What and When to File:**

*First Filing Deadline:* You must file a Declaration of Use (or Excusable Nonuse) between the 5th and 6th years after the registration date. See 15 U.S.C. §§1058, 1141k. If the declaration is accepted, the registration will continue in force for the remainder of the ten-year period, calculated from the registration date, unless cancelled by an order of the Commissioner for Trademarks or a federal court.

*Second Filing Deadline:* You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between the 9th and 10th years after the registration date.\* See 15 U.S.C. §1059.

**Requirements in Successive Ten-Year Periods\***

**What and When to File:**

You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between every 9th and 10th-year period, calculated from the registration date.\*

**Grace Period Filings\***

The above documents will be accepted as timely if filed within six months after the deadlines listed above with the payment of an additional fee.

**\*ATTENTION MADRID PROTOCOL REGISTRANTS:** The holder of an international registration with an extension of protection to the United States under the Madrid Protocol must timely file the Declarations of Use (or Excusable Nonuse) referenced above directly with the United States Patent and Trademark Office (USPTO). The time periods for filing are based on the U.S. registration date (not the international registration date). The deadlines and grace periods for the Declarations of Use (or Excusable Nonuse) are identical to those for nationally issued registrations. See 15 U.S.C. §§1058, 1141k. However, owners of international registrations do not file renewal applications at the USPTO. Instead, the holder must file a renewal of the underlying international registration at the International Bureau of the World Intellectual Property Organization, under Article 7 of the Madrid Protocol, before the expiration of each ten-year term of protection, calculated from the date of the international registration. See 15 U.S.C. §1141j. For more information and renewal forms for the international registration, see <http://www.wipo.int/madrid/en/>.

**NOTE: Fees and requirements for maintaining registrations are subject to change. Please check the USPTO website for further information. With the exception of renewal applications for registered extensions of protection, you can file the registration maintenance documents referenced above online at <http://www.uspto.gov>.**

**NOTE: A courtesy e-mail reminder of USPTO maintenance filing deadlines will be sent to trademark owners/holders who authorize e-mail communication and maintain a current e-mail address with the USPTO. To ensure that e-mail is authorized and your address is current, please use the Trademark Electronic Application System (TEAS) Correspondence Address and Change of Owner Address Forms available at <http://www.uspto.gov>.**

# Exhibit D



US00D701923S

(12) **United States Design Patent** (10) **Patent No.:** **US D701,923 S**  
**Jensen** (45) **Date of Patent:** **\*\* Apr. 1, 2014**

(54) **BUILDING BLOCK FROM A TOY BUILDING SET**

(71) Applicant: **Lego A/S, Billund (DK)**  
 (72) Inventor: **Stefan Jensen, Odense SV (DK)**  
 (73) Assignee: **Lego A/S, Billund (DK)**  
 (\*\*\*): Term: **14 Years**

(21) Appl. No.: **29/454,978**  
 (22) Filed: **May 16, 2013**

(30) **Foreign Application Priority Data**  
 Nov. 16, 2012 (DK) ..... 002137190  
 (51) **LOC (10) CL** ..... **21-01**  
 (52) **U.S. CL**  
 USPC ..... **D21/500**  
 (58) **Field of Classification Search**  
 USPC ..... D21/453, 484, 489, 490, 492, 493, 504,  
 D21/505, 564, 565, 802, 818; 446/168 174,  
 446/84, 89, 108, 112, 114, 116, 124 128,  
 446/429, 444-447; 463/58-69; 104/60, 69  
 See application file for complete search history.

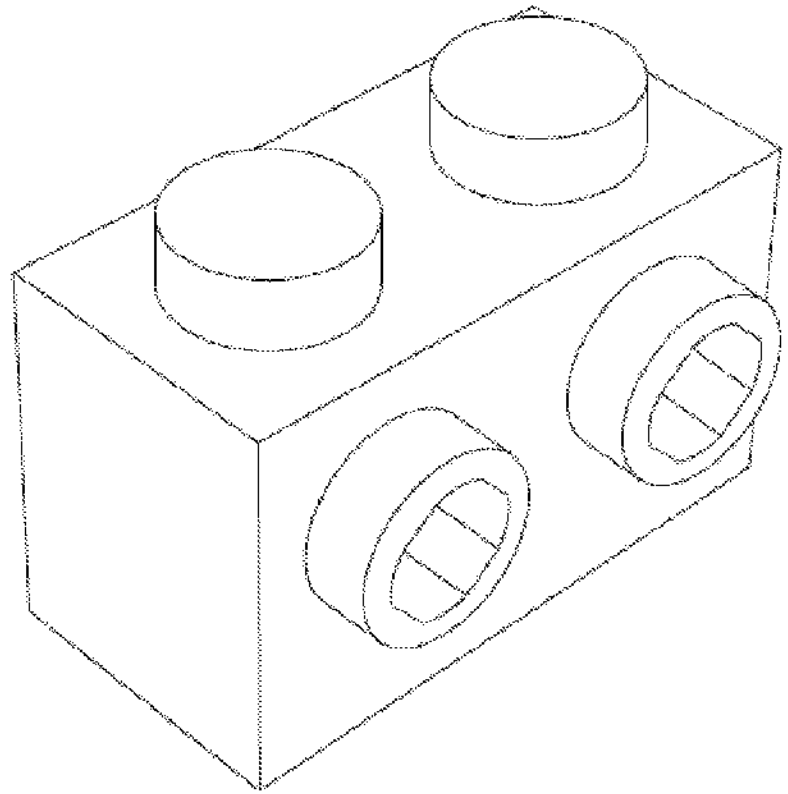
(56) **References Cited**  
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 3,234,683 A \* 2/1966 Christiansen ..... 446/103  
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 D336,120 S \* 6/1993 Knudsen ..... D21/500  
 D368,497 S \* 4/1996 Schmidt et al. .... D21/501  
 D378,837 S \* 4/1997 Olsen et al. .... D21/500

\* cited by examiner  
*Primary Examiner* Cynthia M Chin  
 (74) *Attorney, Agent, or Firm* Day Pitney LLP

(57) **CLAIM**  
 The ornamental design for a building block from a toy building set, as shown and described.

**DESCRIPTION**  
 FIG. 1 is a top plan view of my ornamental design for a building block from a toy building set;  
 FIG. 2 is a bottom view thereof;  
 FIG. 3 is a left side view thereof;  
 FIG. 4 is a front side view thereof;  
 FIG. 5 is a right side view thereof;  
 FIG. 6 is a rear side view thereof; and,  
 FIG. 7 is a top, front perspective view thereof.  
 The broken lines in each of the figures are for environmental purposes only and form no part of the claimed design.

**1 Claim, 7 Drawing Sheets**

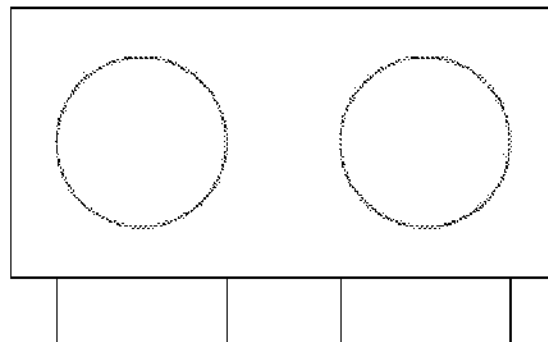


**U.S. Patent**

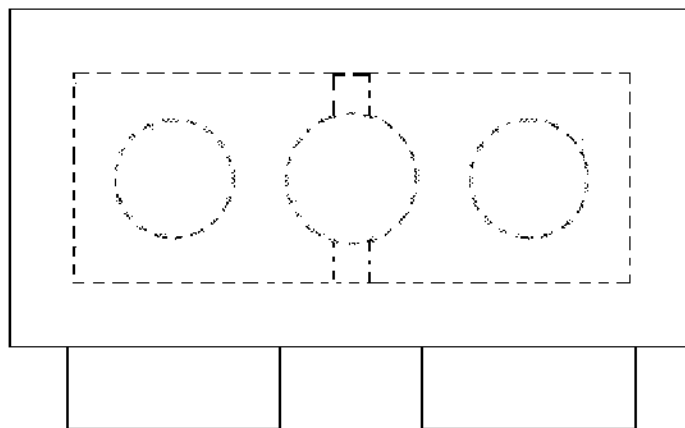
**Apr. 1, 2014**

**Sheet 1 of 7**

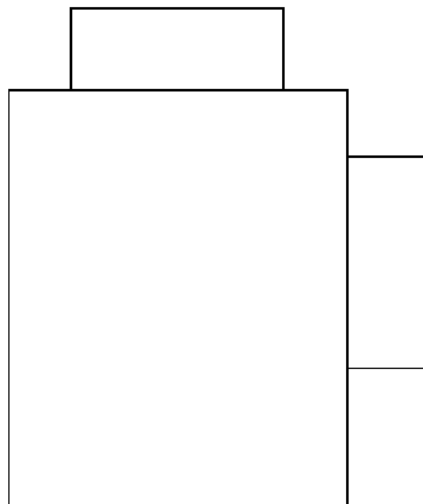
**US D701,923 S**



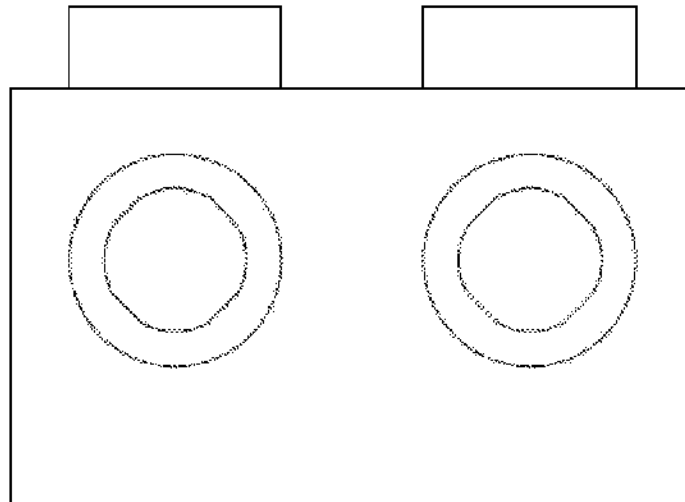
**FIG. 1**



**FIG. 2**

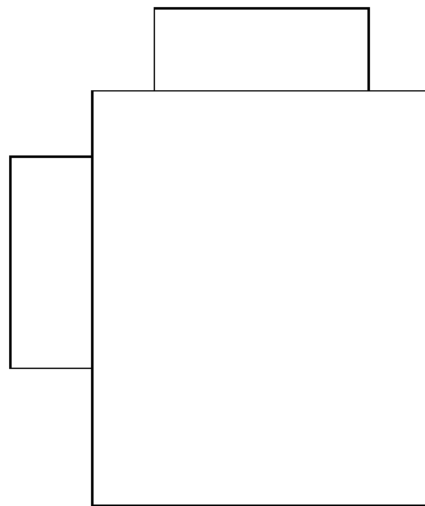


**FIG. 3**



**FIG. 4**





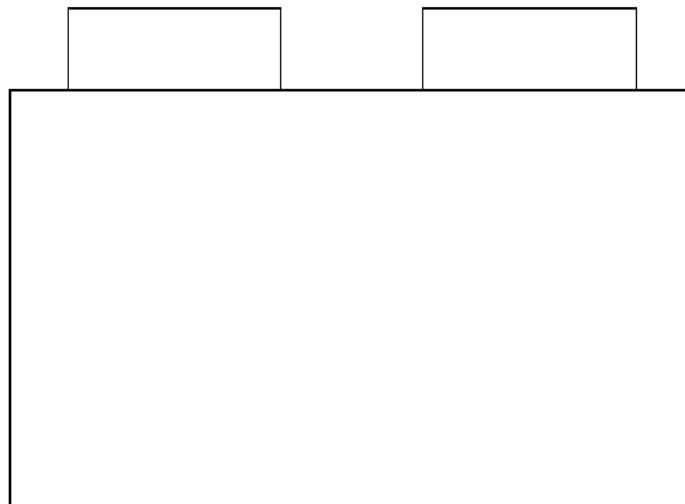
**FIG. 5**

**U.S. Patent**

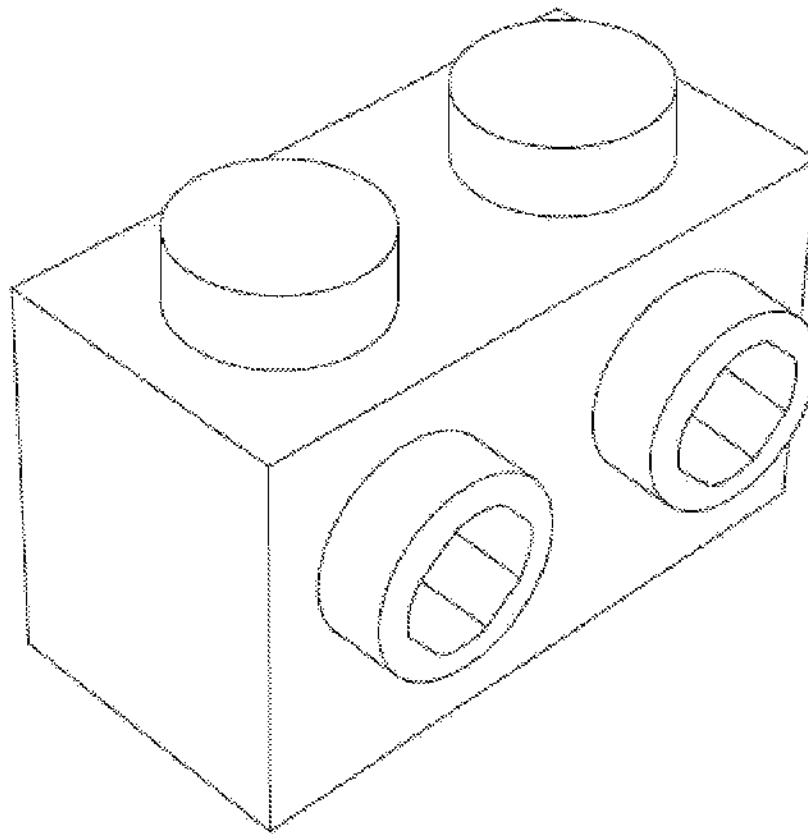
**Apr. 1, 2014**

**Sheet 6 of 7**

**US D701,923 S**



**FIG. 6**



**FIG. 7**

# Exhibit E



US00D688328S

(12) **United States Design Patent** (10) **Patent No.:** **US D688,328 S**  
**Holm** (45) **Date of Patent:** **\*\* Aug. 20, 2013**

(54) **BUILDING BLOCK FROM A TOY BUILDING SET**

(75) Inventor: **Louise Holm, Aarhus (DK)**

(73) Assignee: **Lego A/S, Billund (DK)**

(\*\*) Term: **14 Years**

(21) Appl. No.: **29/410,286**

(22) Filed: **Jan. 6, 2012**

(30) **Foreign Application Priority Data**

Jul. 11, 2011 (EM) ..... 001284608

(51) **LOC (9) CL.** ..... **21-01**

(52) **U.S. CL.**

USPC ..... **D21/484; D21/504**

(58) **Field of Classification Search**

USPC ..... D21/453, 484, 489, 490, 492, 493,  
D21/504, 505, 564, 565, 802, 818;  
446/168-174, 84, 89, 108, 112, 114, 116,  
446/124 128, 429, 444 447; 463/58 69;  
104/60, 69

See application file for complete search history.

(56) **References Cited**

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D561,845 S \* 2/2008 Glickman et al. .... D21/492  
D672,402 S \* 12/2012 Macadam ..... D21/491

\* cited by examiner

*Primary Examiner* — Cynthia M Chin

(74) *Attorney, Agent, or Firm* Day Pitney LLP

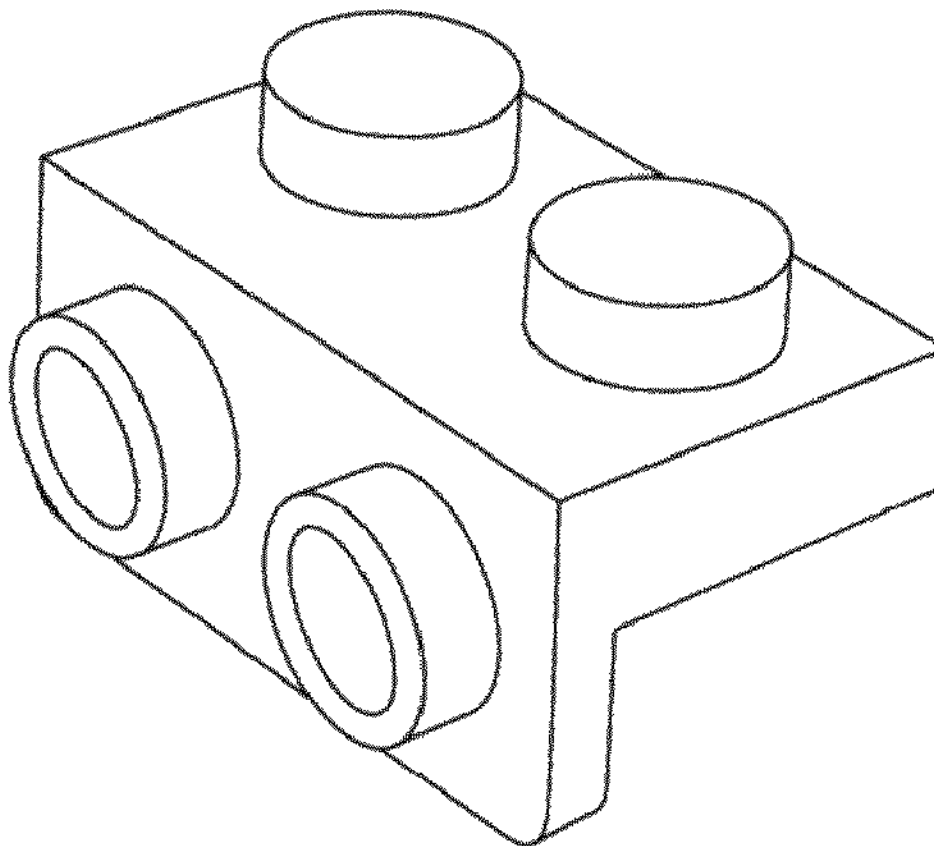
(57) **CLAIM**

The ornamental design for a building block from a toy building set, as shown and described.

**DESCRIPTION**

FIG. 1 is a top perspective view of my ornamental design for a building block from a toy building set;  
FIG. 2 is a top plan view thereof;  
FIG. 3 is a bottom plan view thereof;  
FIG. 4 is a front view thereof;  
FIG. 5 is a rear view thereof;  
FIG. 6 is a right side view thereof; and,  
FIG. 7 is a left side view thereof.  
The broken lines in each of the figures are for environmental purposes only and form no part of the claimed design.

**1 Claim, 7 Drawing Sheets**



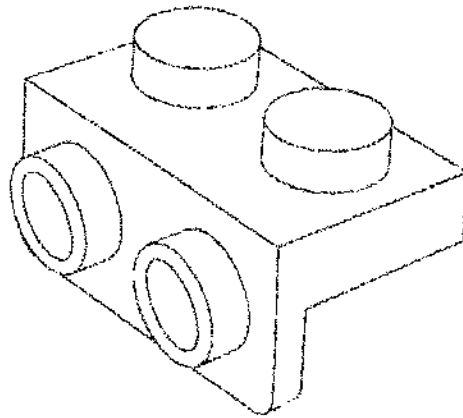


FIG. 1

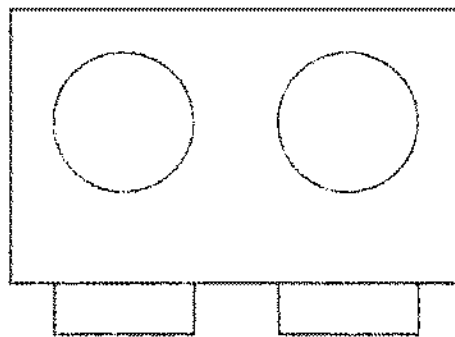
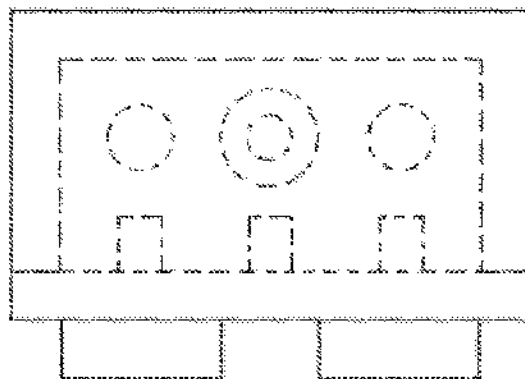


FIG. 2



**FIG. 3**



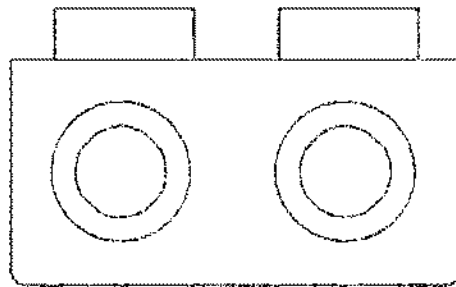


FIG. 4

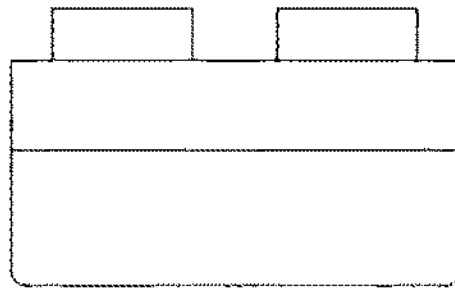


FIG. 5

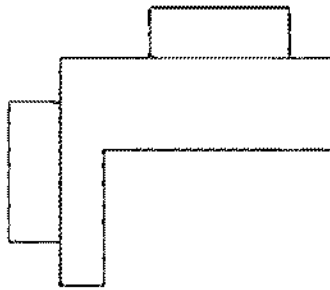


FIG. 6

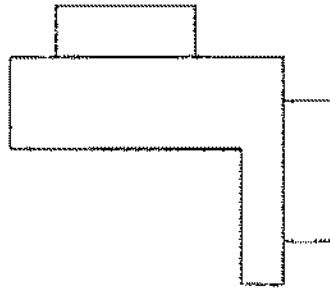


FIG. 7

# Exhibit F



US00D641053S

(12) **United States Design Patent**  
**Sidenius**

(10) **Patent No.:** **US D641,053 S**  
 (45) **Date of Patent:** **\*\* Jul. 5, 2011**

(54) **ELEMENT OF A CONSTRUCTION SET**

(75) Inventor: **Hans Henrik Sidenius**, ligtvod (DK)

(73) Assignee: **Lego A/S**, Billund (DK)

(\*\*) Term: **14 Years**

(21) Appl. No.: **29/366,744**

(22) Filed: **Jul. 29, 2010**

(30) **Foreign Application Priority Data**

Feb. 2, 2010 (EM) ..... 001664368

(51) **LOC (9) Cl.** ..... **21-01**

(52) **U.S. Cl.** ..... **D21/494; D21/497**

(58) **Field of Classification Search** ..... D21/484,  
 D21/485, 486, 489, 490, 491, 492, 493, 494,  
 D21/495, 497, 499, 500 504: 446/69, 85,  
 446/102 128: 434/208, 259, 403; 273/153,  
 273/156, 160; 428/174

See application file for complete search history.

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 D311,940 S \* 11/1990 Anderson ..... D21/497  
 D314,991 S \* 2/1991 Ryaa ..... D21/485

D332,643 S \* 1/1993 Knudsen ..... D21/484  
 D335,156 S \* 4/1993 Knudsen et al. .... D21/504  
 D335,157 S \* 4/1993 Rahbek ..... D21/497  
 D345,591 S \* 3/1994 Krentz ..... D21/497  
 D371,581 S \* 7/1996 Jarnros ..... D21/494  
 D411,594 S \* 6/1999 Harms ..... D21/564  
 D601,642 S \* 10/2009 Talavera ..... D21/504

\* cited by examiner

*Primary Examiner* Cynthia M Chin

(74) *Attorney, Agent, or Firm* Day Pitney LLP

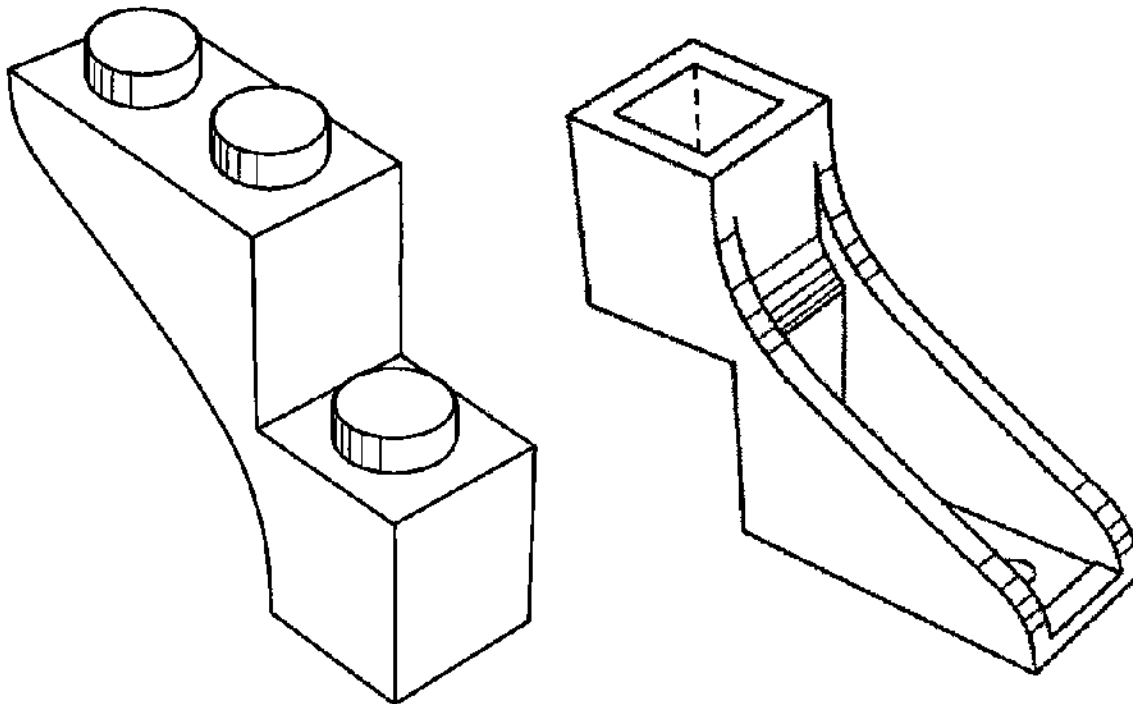
(57) **CLAIM**

The ornamental design for an element of a construction set, as shown and described.

**DESCRIPTION**

FIG. 1 is a top perspective view of my ornamental design for an element of a construction set;  
 FIG. 2 is a bottom perspective view thereof;  
 FIG. 3 is a top plan view thereof;  
 FIG. 4 is a bottom plan view thereof;  
 FIG. 5 is a right side view thereof;  
 FIG. 6 is a left side view thereof;  
 FIG. 7 is a front view thereof; and,  
 FIG. 8 is a rear view thereof.  
 The broken lines represent portions of the article that form no part of the claim.

**1 Claim, 8 Drawing Sheets**



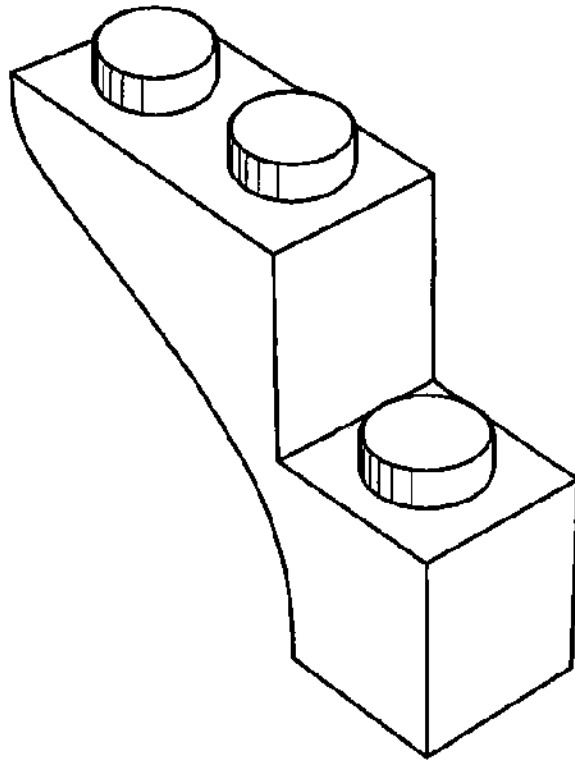
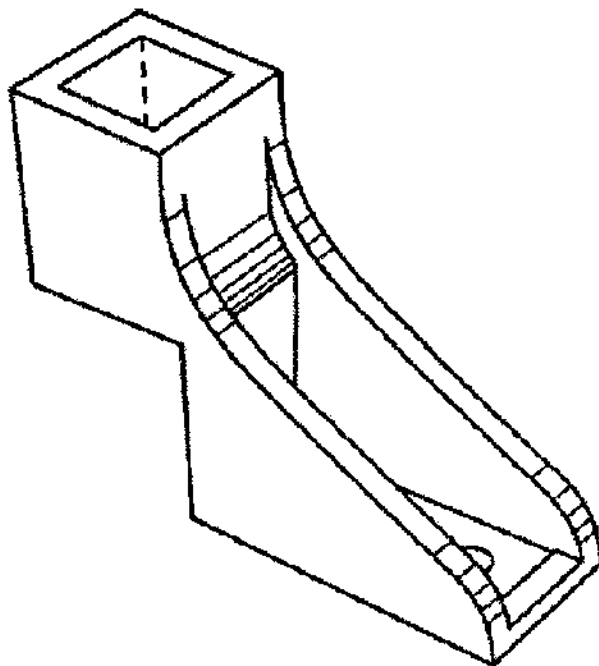


Fig. 1



**Fig. 2**



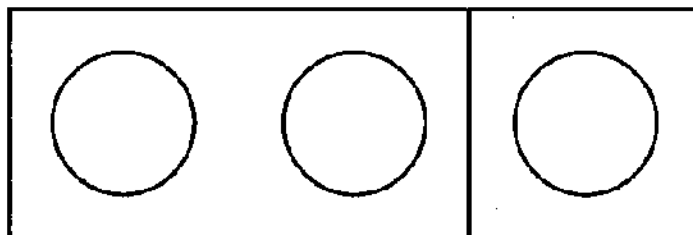
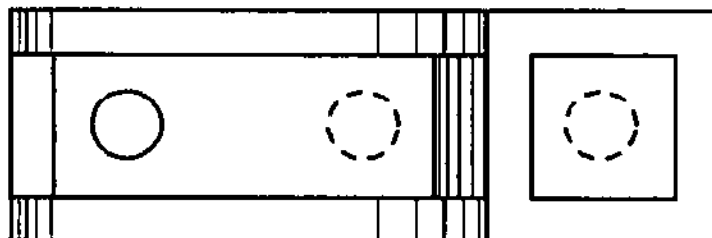


Fig. 3



**Fig. 4**

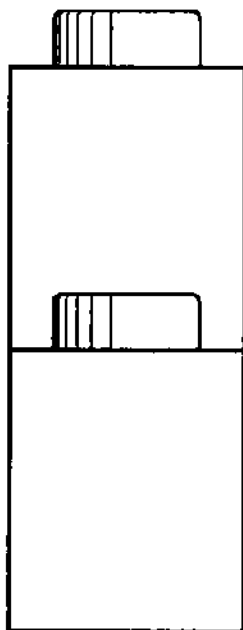


Fig. 5

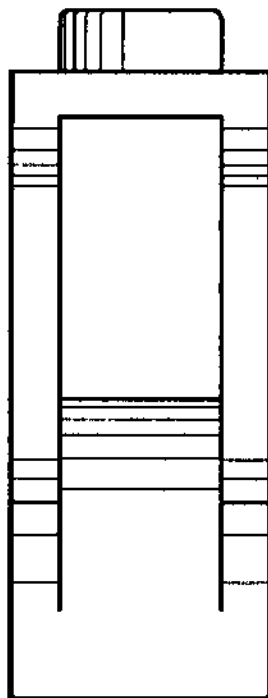


Fig. 6

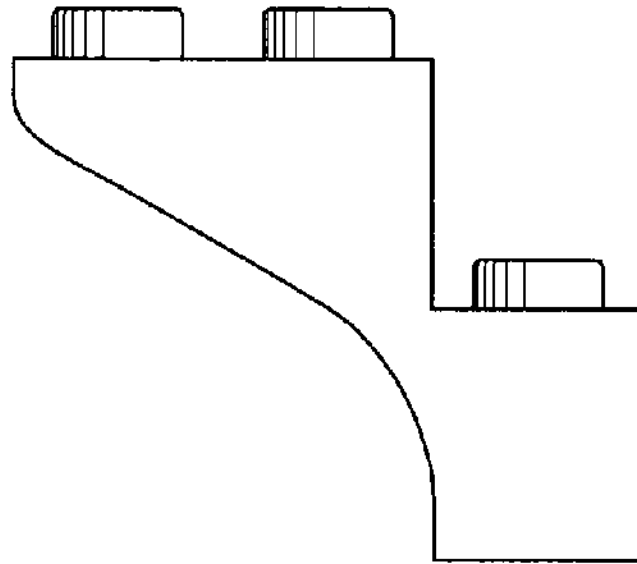


Fig. 7

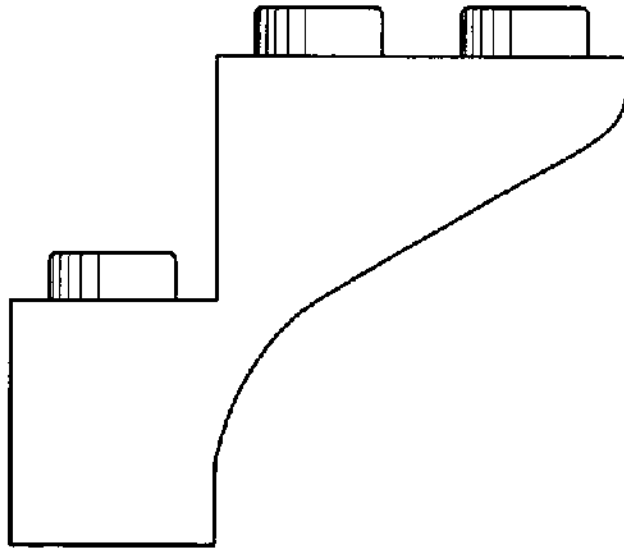


Fig. 8

# Exhibit G



US00D614707S

(12) **United States Design Patent**  
**Ryaa**

(10) **Patent No.:** **US D614,707 S**  
 (45) **Date of Patent:** **\*\* Apr. 27, 2010**

(54) **ELEMENT FOR A TOY CONSTRUCTION SET**

(75) Inventor: **Jan Ryaa**, Billund (DK)

(73) Assignee: **LEGO A/S**, Billund (DK)

(\*\*\*) Term: **14 Years**

(21) Appl. No.: **29/315,659**

(22) Filed: **Jul. 14, 2009**

(30) **Foreign Application Priority Data**

Jan. 27, 2009 (EM) ..... 001076178

(51) **LOC (9) Cl.** ..... **21-01**

(52) **U.S. Cl.** ..... **D21/501**

(58) **Field of Classification Search** ..... D21/484,  
 D21/485, 486, 489-495, 499, 500-505; 446/69,  
 446/85, 102 128; 434/208. 259, 403; 273/153.  
 273/156. 160

See application file for complete search history.

(56) **References Cited**

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- D360,658 S \* 7/1995 Voldmester et al. .... D21/501
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- D373,154 S \* 8/1996 Riis ..... D21/489
- D383,176 S \* 9/1997 Rasmussen et al. .... D21/501
- D385,589 S \* 10/1997 Rasmussen et al. .... D21/501
- D442,647 S \* 5/2001 Chang ..... D21/501
- D591,957 S \* 5/2009 Lee ..... D6/300

\* cited by examiner

*Primary Examiner*—Philip S Hyder  
*Assistant Examiner*—Cynthia M Chin  
 (74) *Attorney, Agent, or Firm*—Day Pitney LLP

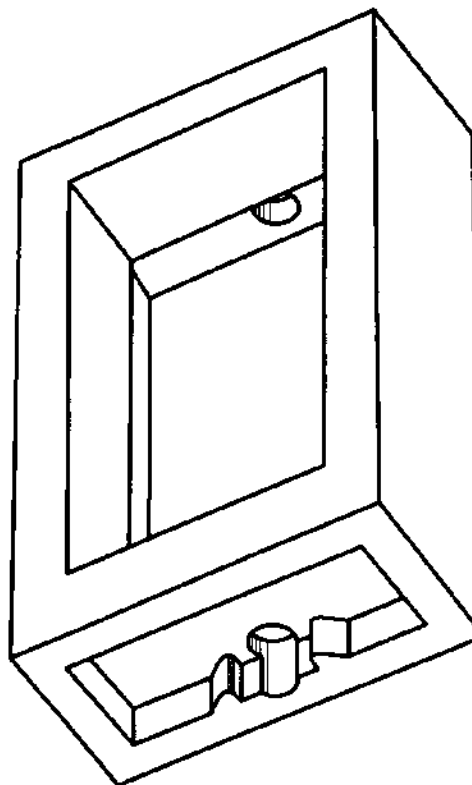
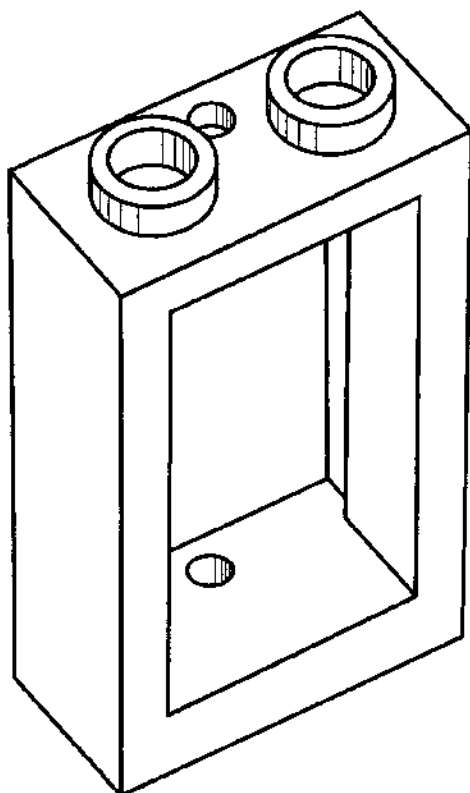
(57) **CLAIM**

The ornamental design for an element for a toy construction set, as shown and described.

**DESCRIPTION**

FIG. 1 is a top perspective view of the element for a toy construction set of the present design;  
 FIG. 2 is a bottom perspective view thereof;  
 FIG. 3 is a front view thereof;  
 FIG. 4 is a rear view thereof;  
 FIG. 5 is a top plan view thereof;  
 FIG. 6 is a bottom plan view thereof;  
 FIG. 7 is a right side view thereof; and,  
 FIG. 8 is a left side view thereof.

**1 Claim, 8 Drawing Sheets**





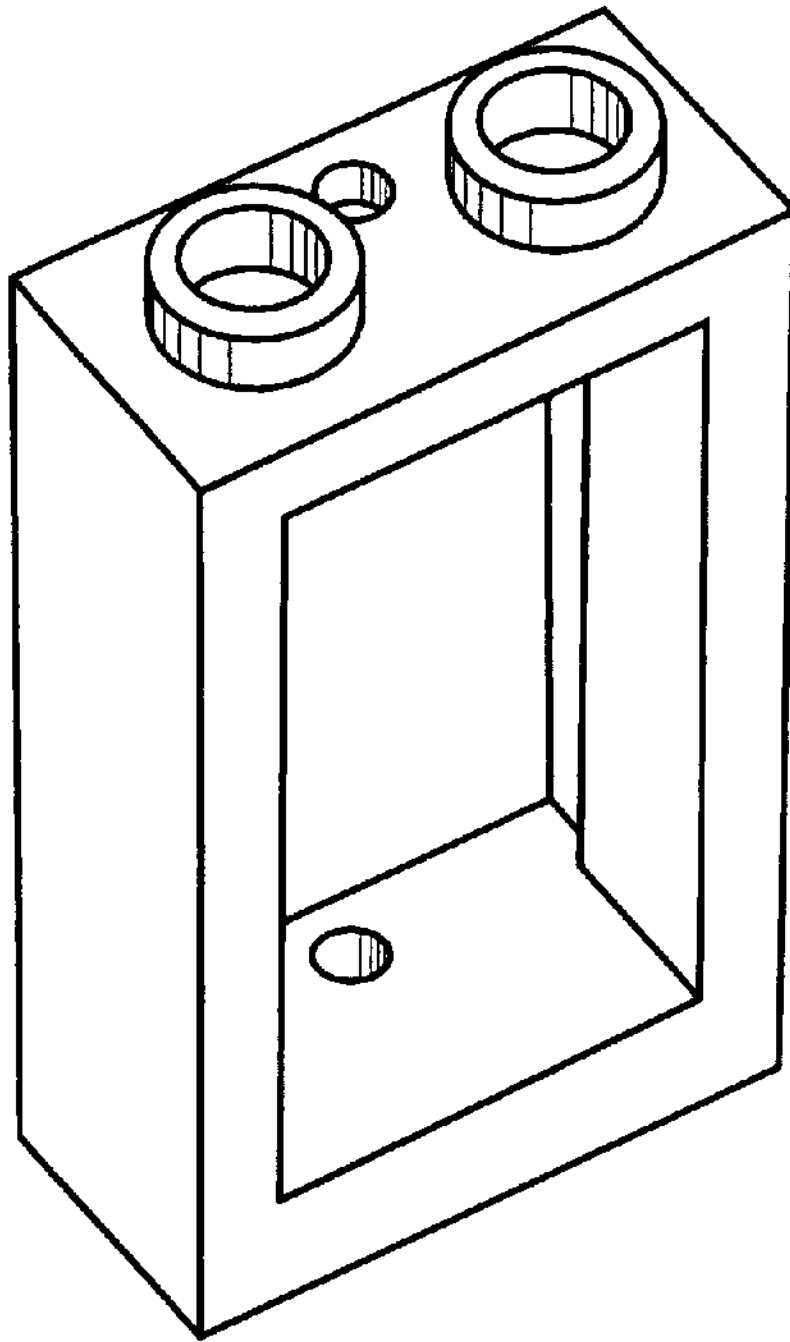


FIG. 1

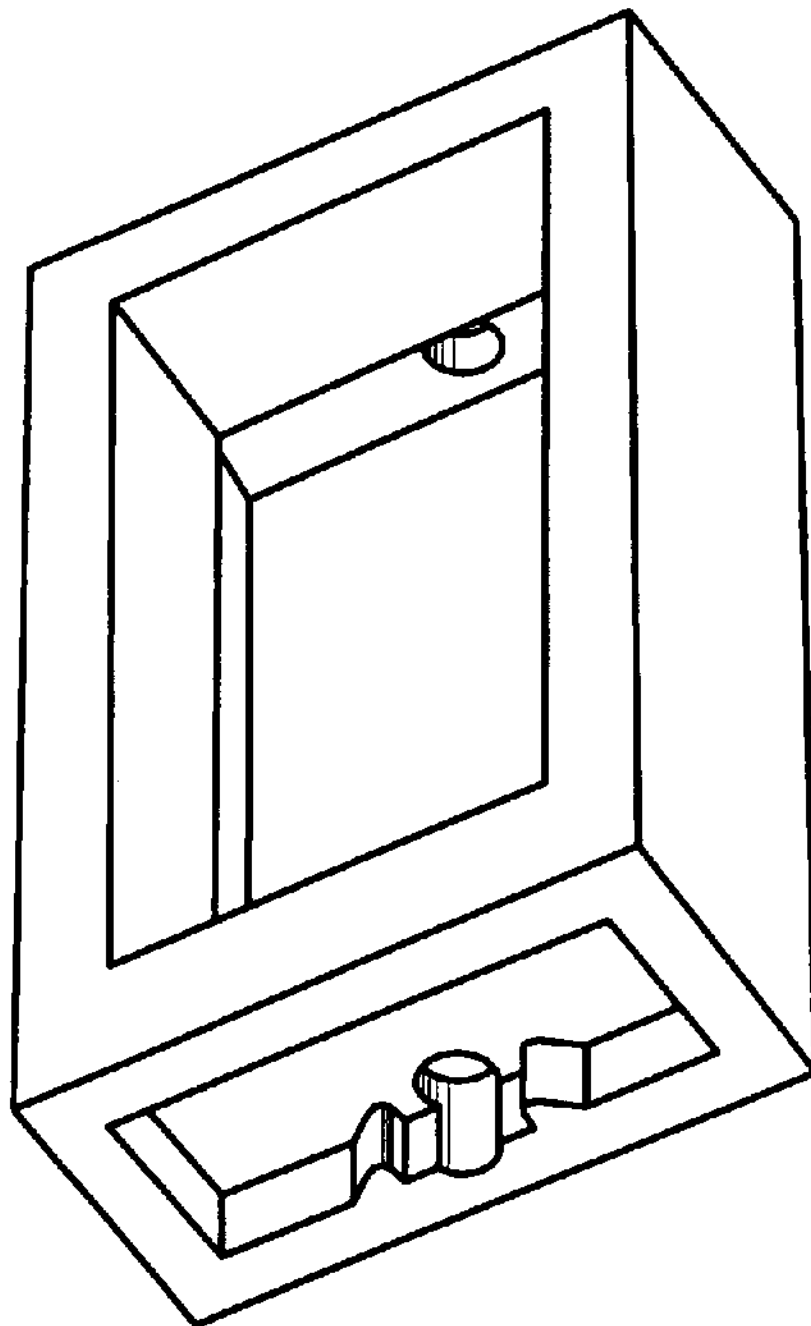


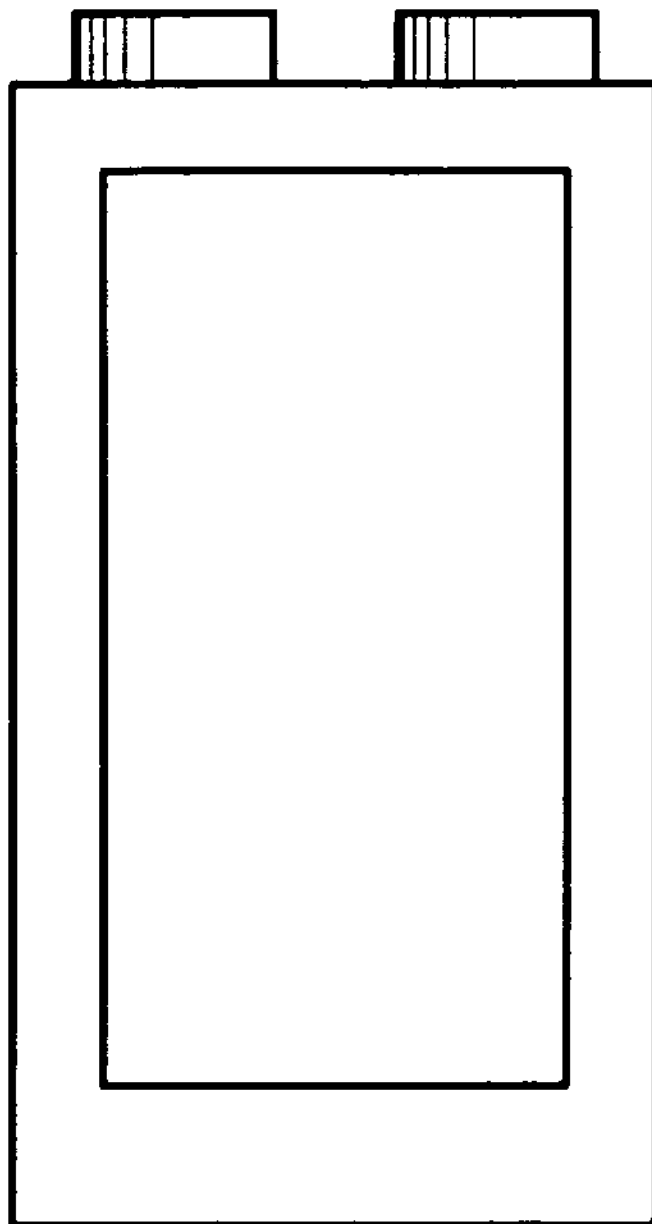
FIG. 2

**U.S. Patent**

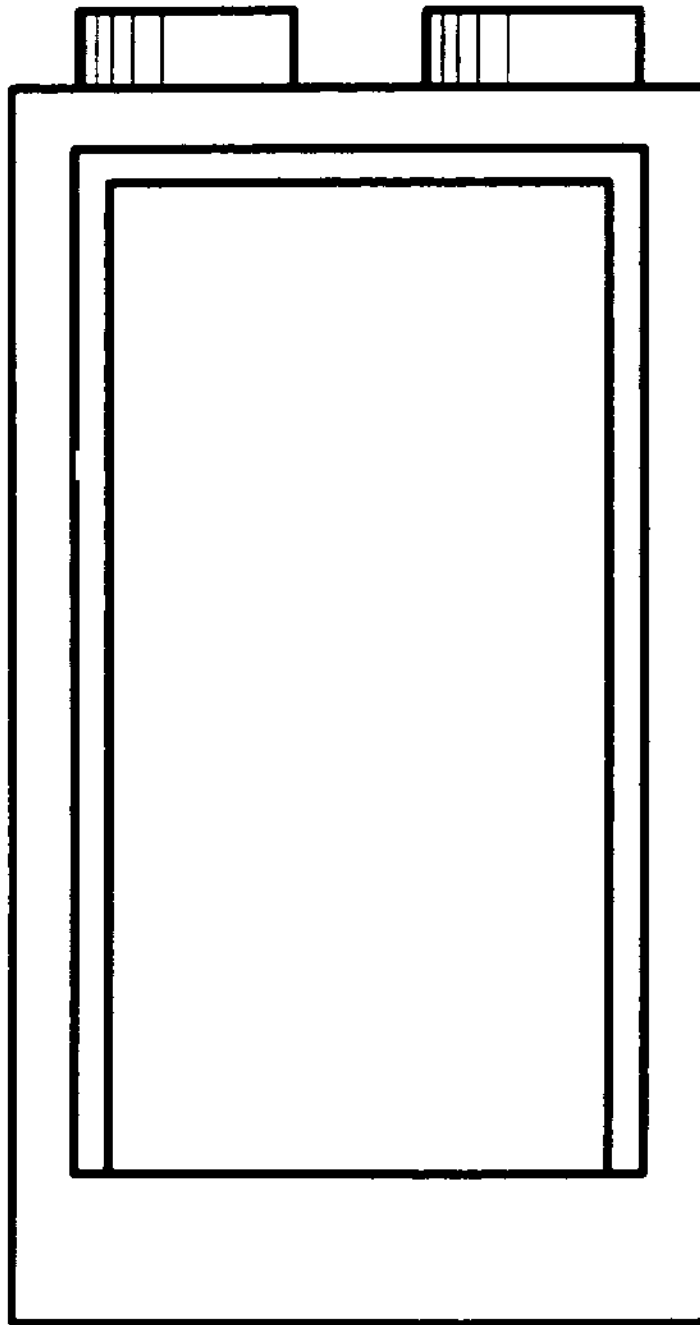
Apr. 27, 2010

Sheet 3 of 8

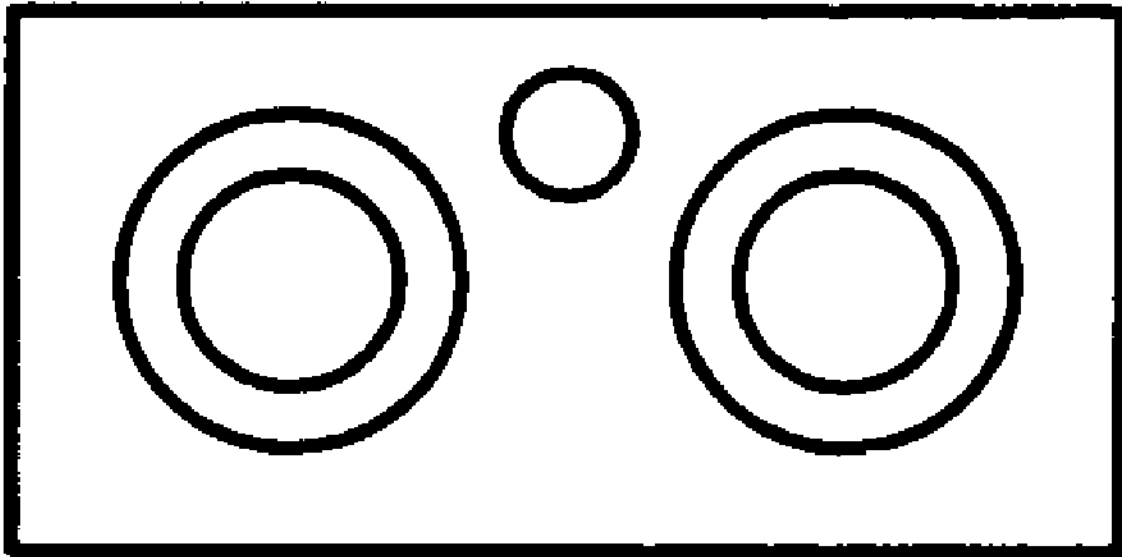
**US D614,707 S**



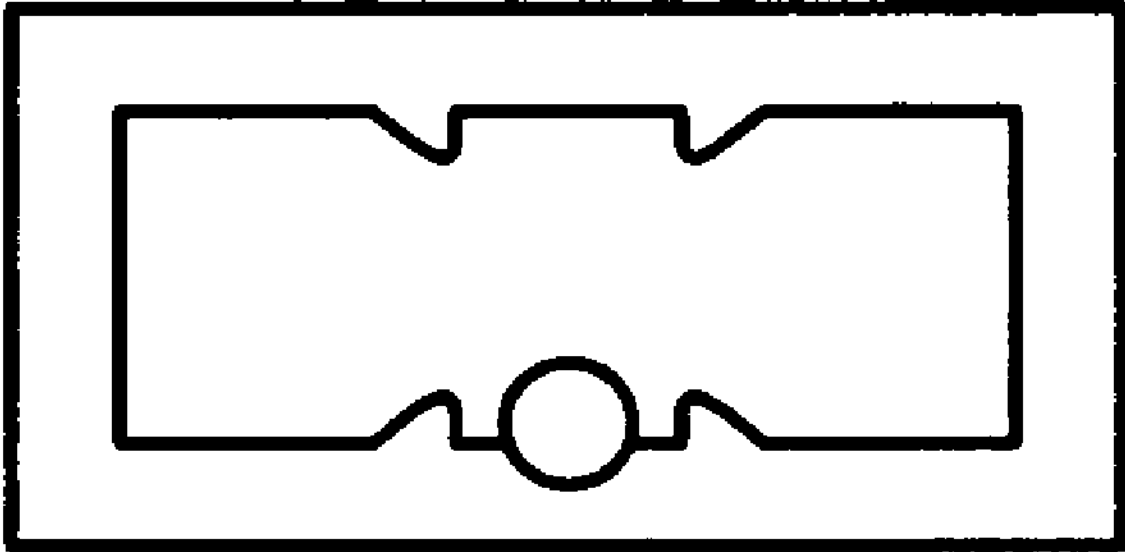
**FIG. 3**



**FIG. 4**



**FIG. 5**



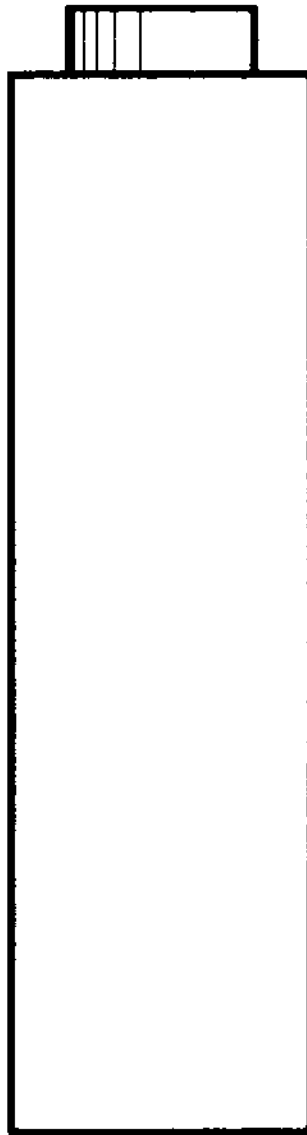
**FIG. 6**

**U.S. Patent**

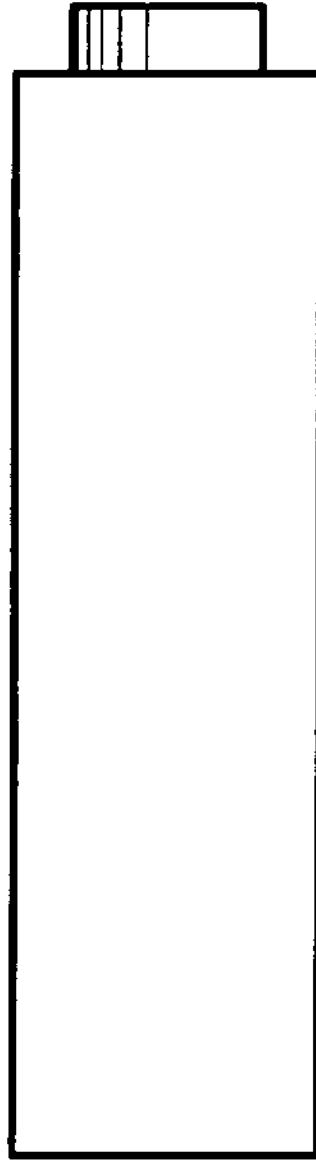
Apr. 27, 2010

Sheet 7 of 8

**US D614,707 S**



**FIG. 7**

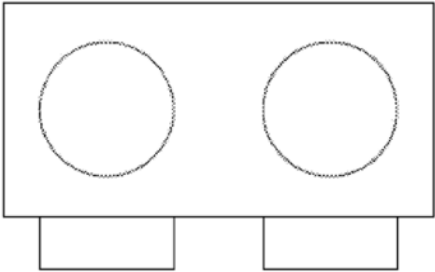
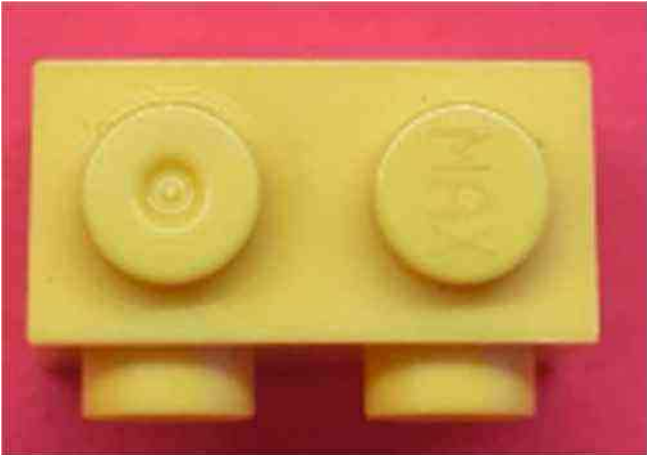
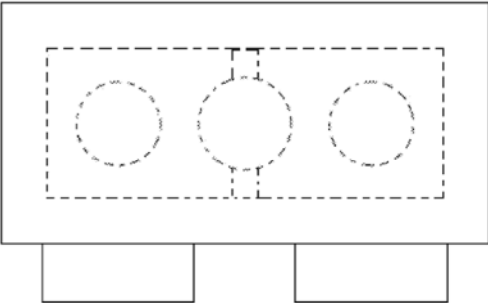
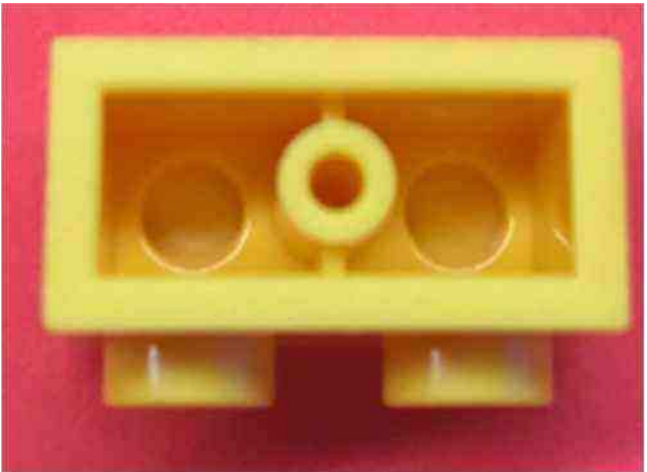


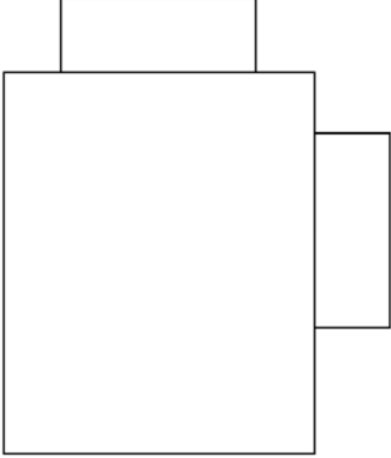
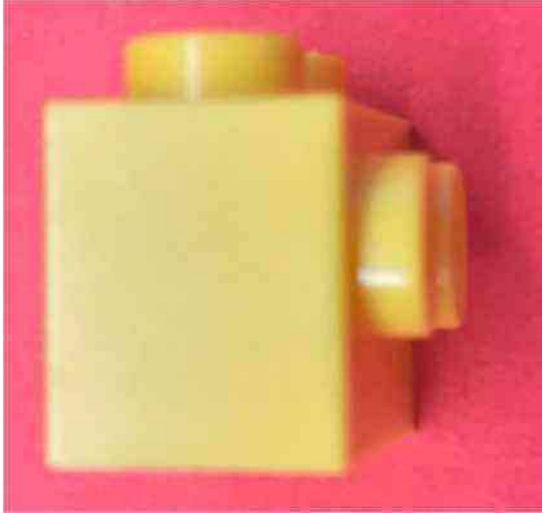
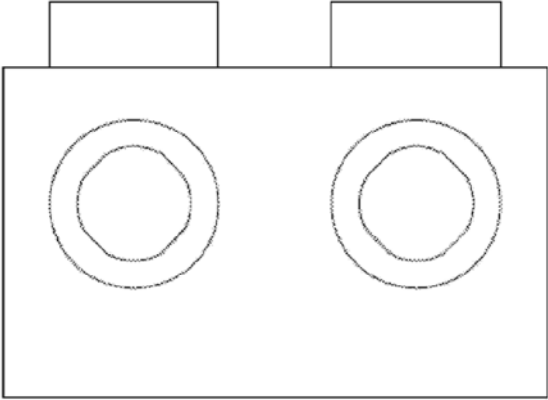
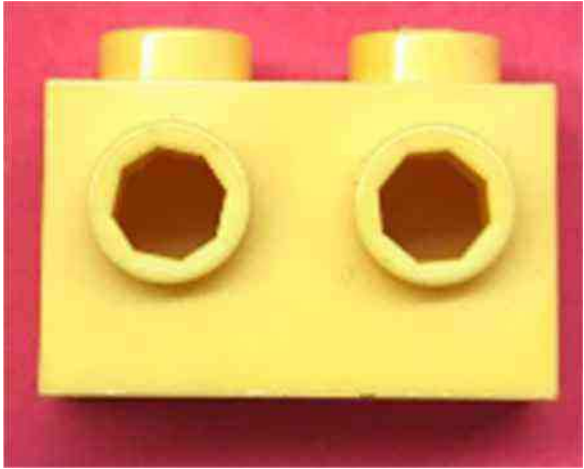
**FIG. 8**

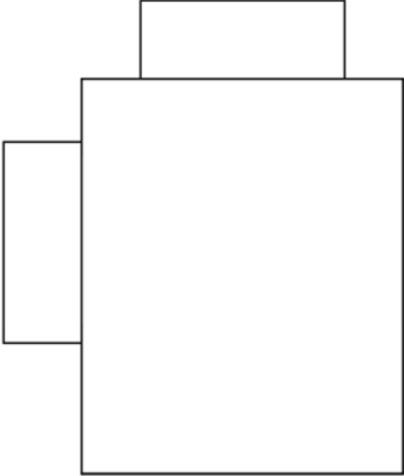

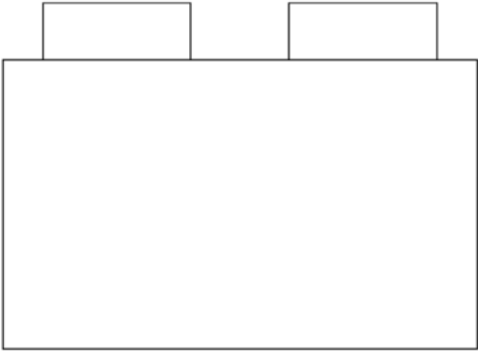
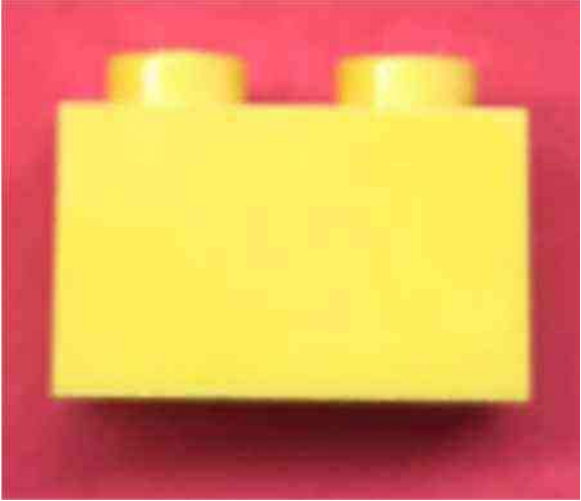


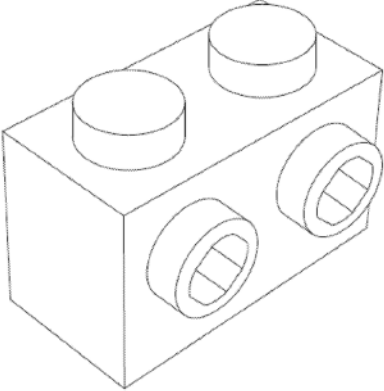
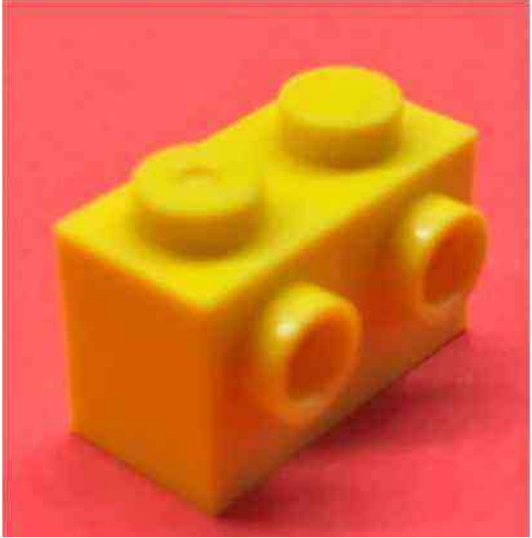
# Exhibit H

**Claim Chart for U.S. Patent No. D701,923 S Compared to the ZURU Infringing Brick**

Patent figure	ZURU Infringing Brick
<p>The ornamental design for a building block from a toy building set, as shown and described.</p> <p>FIG. 1 is a top plan view of my ornamental design for a building block from a toy building set;</p> 	
<p>FIG. 2 is a bottom view thereof;</p> 	

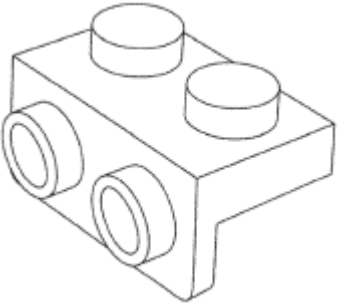
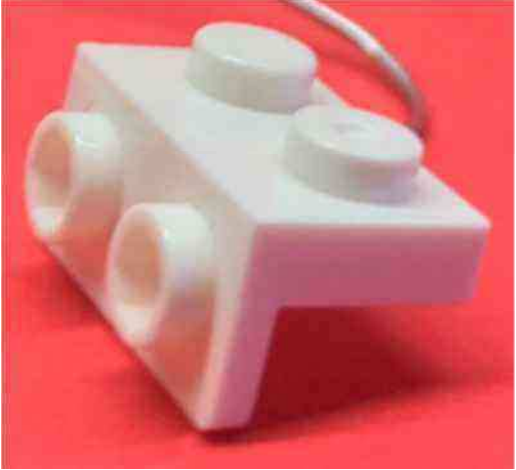
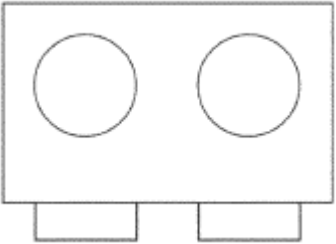
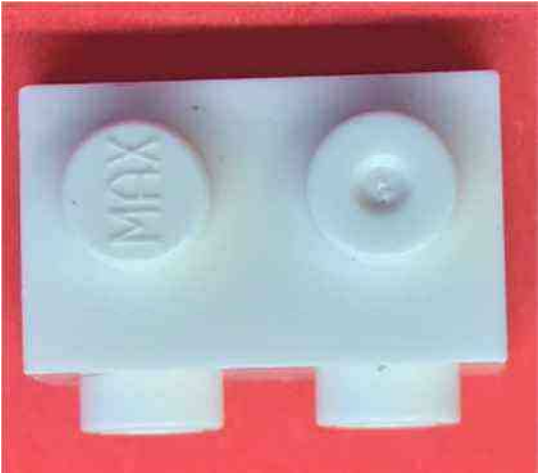
<b>Patent figure</b>	<b>ZURU Infringing Brick</b>
<p data-bbox="256 235 699 268"><b>FIG. 3 is a left side view thereof;</b></p>  <p>A line drawing showing the left side view of a brick. It consists of a large central rectangular block. On top of this block is a smaller, narrower rectangular block. On the right side of the large block, there is a protruding rectangular tab.</p>	 <p>A photograph of a yellow plastic brick against a red background. The brick is shown from a side angle, highlighting its rectangular shape, a smaller rectangular protrusion on top, and a tab on the right side.</p>
<p data-bbox="245 1056 711 1089"><b>FIG. 4 is a front side view thereof;</b></p>  <p>A line drawing showing the front side view of a brick. It features a large rectangular body with two circular holes spaced apart. Above each hole is a smaller rectangular protrusion.</p>	 <p>A photograph of a yellow plastic brick against a red background, shown from a front side view. It clearly displays two circular holes on the front face, each with a smaller rectangular protrusion centered above it.</p>

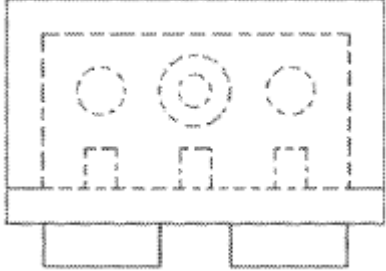
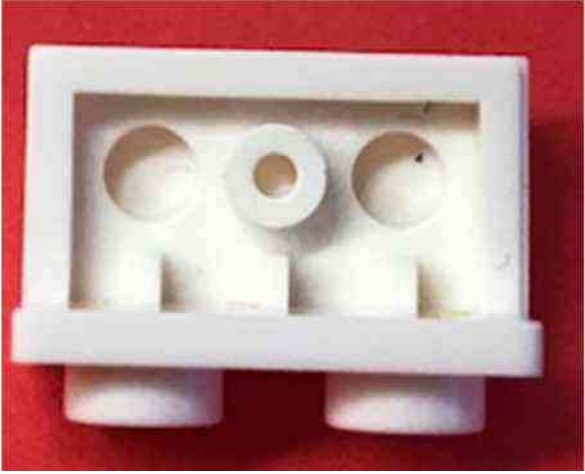
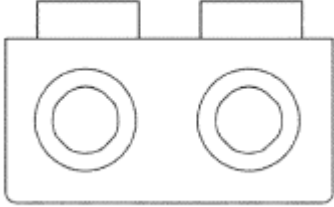
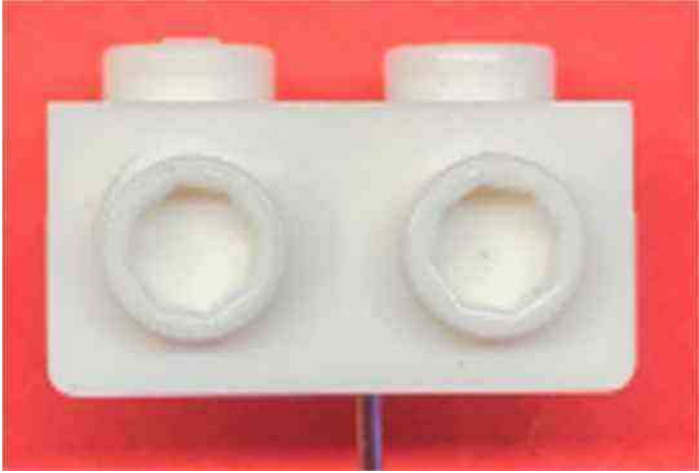
<b>Patent figure</b>	<b>ZURU Infringing Brick</b>
<p data-bbox="240 235 711 268"><b>FIG. 5 is a right side view thereof;</b></p> 	
<p data-bbox="214 1056 740 1089"><b>FIG. 6 is a rear side view thereof; and,</b></p> 	

Patent figure	ZURU Infringing Brick
<p data-bbox="219 235 734 304"><b>FIG. 7 is a top, front perspective view thereof.</b></p>  <p data-bbox="284 489 665 877">A line drawing of a rectangular brick. The top surface features two circular studs. The front face has two semi-circular ports, each with a vertical slot. The brick is shown in a perspective view from the top and front.</p>	 <p data-bbox="849 415 1377 949">A photograph of a yellow plastic brick, identical in design to the patent figure. It has two studs on top and two ports on the front. The brick is set against a solid red background.</p>

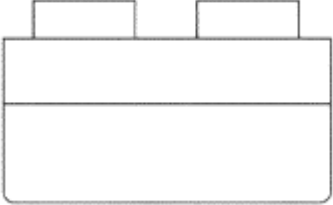

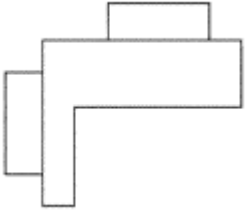

# Exhibit I

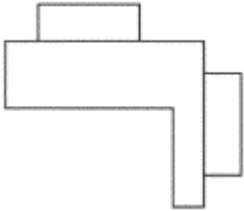

**Claim Chart for U.S. Patent No. D688,328 S Compared to the ZURU Infringing Brick**

Patent figure	ZURU Infringing Brick
<p>The ornamental design for a building block from a toy building set, as shown and described.</p> <p>FIG. 1 is a top perspective view of my ornamental design for a building block from a toy building set;</p> 	
<p>FIG. 2 is a top plan view thereof;</p> 	

Patent figure	ZURU Infringing Brick
<p data-bbox="196 235 701 268"><b>FIG. 3 is a bottom plan view thereof;</b></p> 	
<p data-bbox="245 1058 651 1092"><b>FIG. 4 is a front view thereof;</b></p> 	

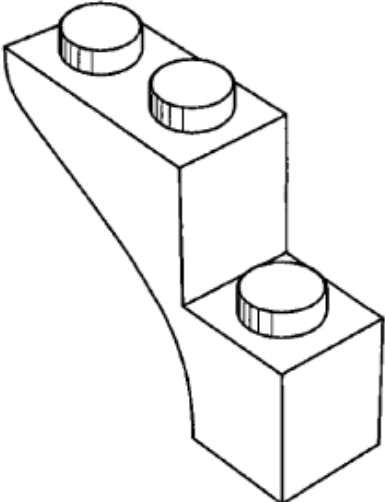
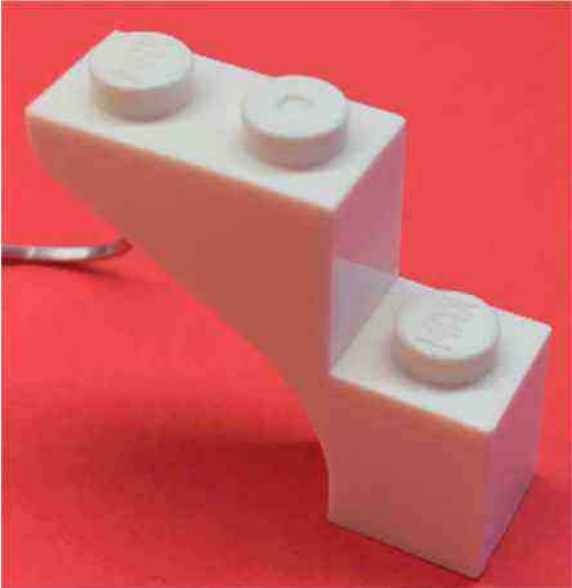
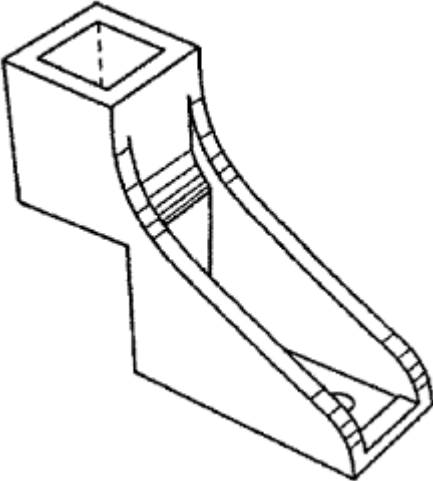



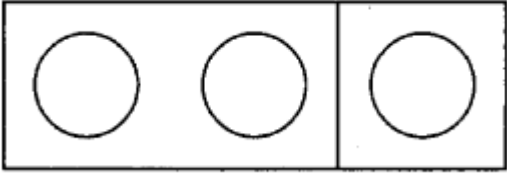


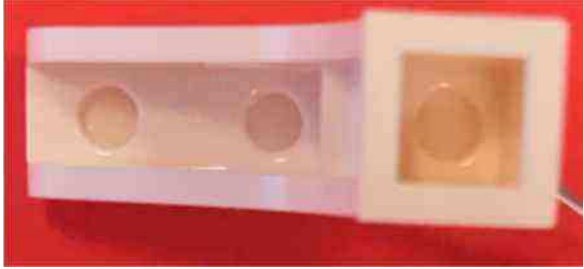
<b>Patent figure</b>	<b>ZURU Infringing Brick</b>
<p data-bbox="250 233 649 268"><b>FIG. 5 is a rear view thereof;</b></p> 	
<p data-bbox="217 1058 685 1129"><b>FIG. 6 is a right side view thereof;</b> <b>and,</b></p> 	

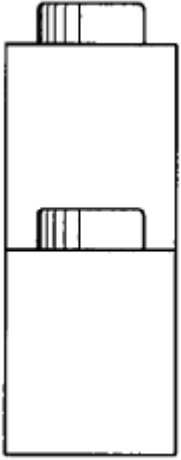

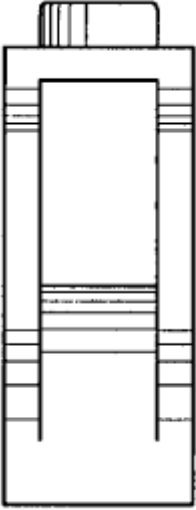

Patent figure	ZURU Infringing Brick
<p data-bbox="228 233 670 268"><b>FIG. 7 is a left side view thereof.</b></p>  <p data-bbox="332 436 573 646">A technical line drawing showing the left side view of a brick. The brick has a rectangular body with a smaller rectangular protrusion on the top surface. On the right side, there is a vertical slot that extends downwards from the main body, and a smaller rectangular protrusion on the right side of the brick.</p>	 <p data-bbox="857 380 1312 846">A photograph of a white plastic brick against a red background. The brick is shown from a perspective that matches the left side view in the patent figure. It features a rectangular body with a smaller rectangular protrusion on the top surface. On the right side, there is a vertical slot that extends downwards from the main body, and a smaller rectangular protrusion on the right side of the brick.</p>

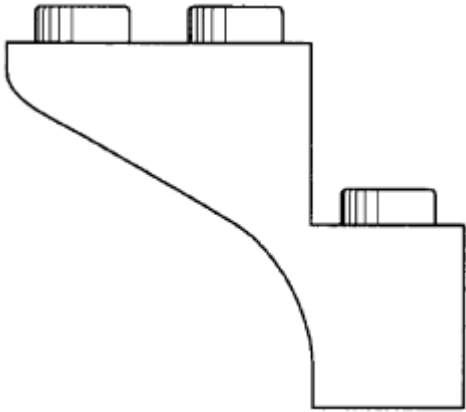

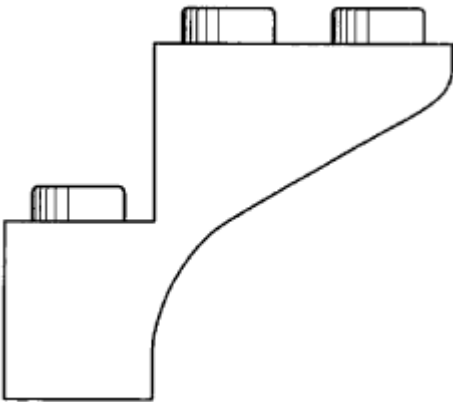

# Exhibit J

**Claim Chart for U.S. Patent No. D641,053S Compared to the ZURU Infringing Brick**

Patent figure	ZURU Infringing Brick
<p>The ornamental design for an element of a construction set, as shown and described.</p> <p>FIG. 1 is a top perspective view of my ornamental design for an element of a construction set;</p> 	
<p>FIG. 2 is a bottom perspective view thereof;</p> 	

Patent figure	ZURU Infringing Brick
<p data-bbox="264 233 716 268"><b>FIG. 3 is a top plan view thereof;</b></p>  <p>The diagram shows a rectangular brick divided into three equal sections by two vertical lines. Each section contains a solid black circle representing a hole. The circles are centered within each section and are of uniform size.</p>	 <p>A photograph of a white plastic brick with three circular holes. The brick is shown against a red background. The holes are arranged horizontally and are of uniform size. The brick has a slightly textured surface and a small notch on the right side.</p>
<p data-bbox="237 1056 743 1092"><b>FIG. 4 is a bottom plan view thereof;</b></p>  <p>The diagram shows the bottom view of the brick. It features a central horizontal channel with two circular holes. The left hole is a solid circle, while the right hole is a dashed circle. The brick has a complex profile with multiple vertical lines and a small rectangular feature on the right side.</p>	 <p>A photograph of the bottom view of the white plastic brick. The brick is shown against a red background. It features a central horizontal channel with two circular holes. The left hole is a solid circle, while the right hole is a dashed circle. The brick has a complex profile with multiple vertical lines and a small rectangular feature on the right side.</p>

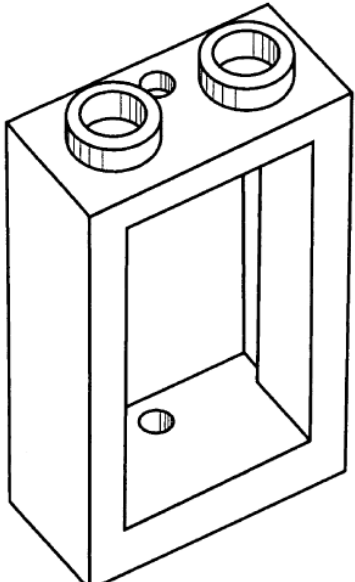
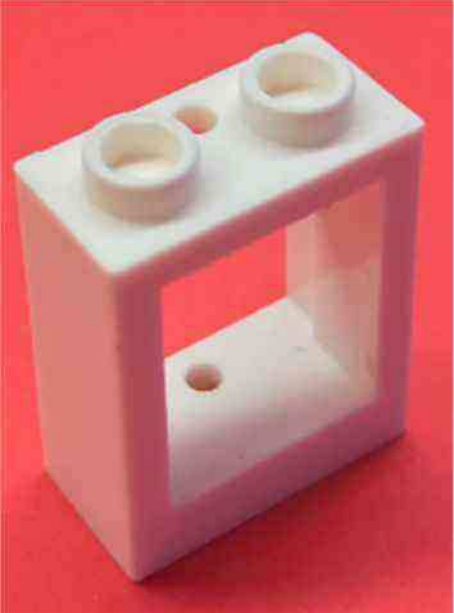
Patent figure	ZURU Infringing Brick
<p data-bbox="256 235 727 268"><b>FIG. 5 is a right side view thereof;</b></p>  <p data-bbox="391 344 570 800">A line drawing showing a right side view of a brick. It features a top protrusion with a textured surface and a middle notch. The brick is rectangular with a slightly wider top section.</p>	 <p data-bbox="971 268 1284 915">A photograph of a white plastic brick against a red background. The brick has a top protrusion with a textured surface and a middle notch, matching the patent figure.</p>
<p data-bbox="269 1056 714 1089"><b>FIG. 6 is a left side view thereof;</b></p>  <p data-bbox="380 1182 574 1688">A line drawing showing a left side view of a brick. It features a top protrusion with a textured surface and a middle notch. The brick is rectangular with a slightly wider top section.</p>	 <p data-bbox="987 1129 1263 1755">A photograph of a white plastic brick against a red background, showing a left side view. The brick has a top protrusion with a textured surface and a middle notch, matching the patent figure.</p>

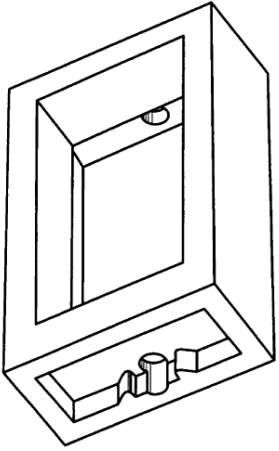

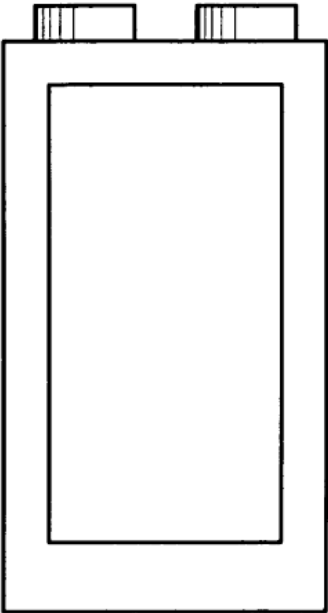

Patent figure	ZURU Infringing Brick
<p data-bbox="253 233 732 268"><b>FIG. 7 is a front view thereof; and,</b></p>  <p data-bbox="256 464 719 873">A line drawing showing the front view of a brick. The brick has a top surface with two raised studs. The left side of the brick is curved downwards. On the right side, there is a rectangular protrusion with a single raised stud on its top surface.</p>	 <p data-bbox="818 380 1430 947">A photograph of a white plastic brick against a red background. The brick is shown from a perspective similar to FIG. 7, with two studs on top and a curved left side. A rectangular protrusion with one stud is on the right.</p>
<p data-bbox="293 1052 691 1087"><b>FIG. 8 is a rear view thereof.</b></p>  <p data-bbox="277 1209 727 1608">A line drawing showing the rear view of the brick. The top surface has two raised studs. The right side of the brick is curved downwards. On the left side, there is a rectangular protrusion with a single raised stud on its top surface.</p>	 <p data-bbox="829 1163 1419 1738">A photograph of the same white plastic brick against a red background, shown from the rear view. The two studs are at the top, and the curved side is on the right. The rectangular protrusion with one stud is on the left.</p>

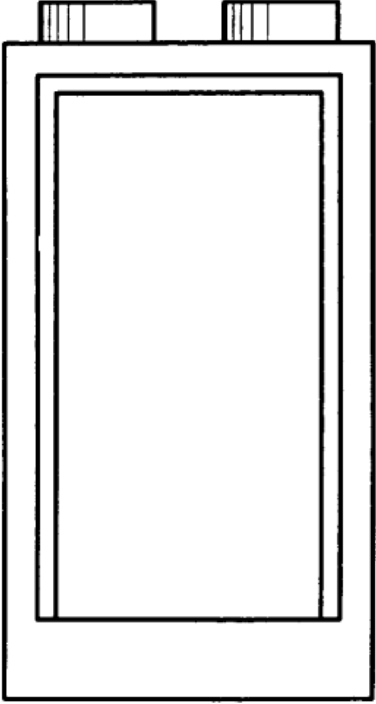

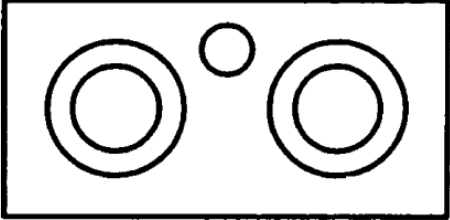

# Exhibit K

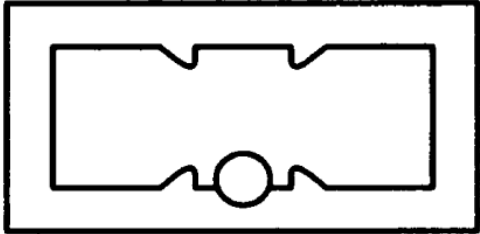

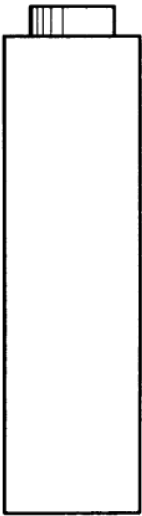





**Claim Chart for U.S. Patent No. D614,707 S Compared to the ZURU Infringing Brick**

<b>Patent figure</b>	<b>ZURU Infringing Brick</b>
<p data-bbox="186 310 787 415"><b>The ornamental design for an element for a toy construction set, as shown and described.</b></p> <p data-bbox="186 457 730 562"><b>FIG. 1 is a top perspective view of the element for a toy construction set of the present design;</b></p>  <p>The drawing shows a rectangular prism with a top surface. On the top surface, there are two circular studs, one on the left and one on the right. A small circular hole is located on the bottom surface, centered between the two studs. The front and side faces are plain.</p>	 <p>The photograph shows a white plastic toy construction brick. It has a rectangular shape with a top surface. On the top surface, there are two circular studs, one on the left and one on the right. A small circular hole is located on the bottom surface, centered between the two studs. The brick is set against a red background.</p>

Patent figure	ZURU Infringing Brick
<p data-bbox="191 233 794 268"><b>FIG. 2 is a bottom perspective view thereof;</b></p>  <p data-bbox="354 346 630 793">A line drawing showing a brick from a bottom perspective view. The brick is rectangular with a raised rim on the top surface. The bottom surface features a recessed area with three distinct protrusions: a small rectangular bump on the left, a taller cylindrical bump in the center, and a small rectangular bump on the right. A small circular hole is visible on the inner top surface of the brick.</p>	 <p data-bbox="894 340 1365 936">A photograph of a white plastic brick against a red background, shown from a bottom perspective view. The brick has a raised rim and a recessed bottom surface with three protrusions: a small rectangular bump on the left, a taller cylindrical bump in the center, and a small rectangular bump on the right. A small circular hole is visible on the inner top surface.</p>
<p data-bbox="289 1016 696 1052"><b>FIG. 3 is a front view thereof;</b></p>  <p data-bbox="337 1178 662 1787">A line drawing showing a brick from a front view. The brick is rectangular with a raised rim. The top surface features two cylindrical studs. The front face is a plain rectangular surface.</p>	 <p data-bbox="873 1129 1382 1791">A photograph of a white plastic brick against a red background, shown from a front view. The brick has a raised rim and two cylindrical studs on the top surface. The front face is a plain rectangular surface.</p>

Patent figure	ZURU Infringing Brick
<p data-bbox="295 235 695 268"><b>FIG. 4 is a rear view thereof;</b></p> 	
<p data-bbox="269 1054 721 1087"><b>FIG. 5 is a top plan view thereof;</b></p> 	

Patent figure	ZURU Infringing Brick
<p data-bbox="240 235 743 268"><b>FIG. 6 is a bottom plan view thereof;</b></p> 	
<p data-bbox="227 1054 760 1087"><b>FIG. 7 is a right side view thereof; and,</b></p> 	

Patent figure	ZURU Infringing Brick
<p data-bbox="277 233 711 268"><b>FIG. 8 is a left side view thereof</b></p>  <p>A technical line drawing of a rectangular brick. At the top center, there is a cylindrical protrusion with vertical lines indicating its rounded top and depth.</p>	 <p>A photograph of a white, rectangular brick. It has a cylindrical protrusion on top, matching the drawing in the patent figure. The brick is centered against a solid red background.</p>

# Exhibit L

LIBRARY OF CONGRESS

*Copyright Office  
of the United States*

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**THIS IS TO CERTIFY** that the attached color photocopies are a true representation of the work entitled **FIGURE WITH CAPRI PANTS** deposited in the Copyright Office with claim of copyright registered under **VA 1-876-291**.

**THIS IS TO CERTIFY ALSO**, that due to the nature of the work deposited, the attached color photocopies are the best possible electrostatic positive prints available.

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**IN WITNESS WHEREOF**, the seal of this Office is affixed hereto on April 25, 2014.

Maria A. Pallante  
Register of Copyrights

*Veronica Patten*

By: Veronica Patten  
Supervisory Copyright Specialist  
Records Research and Certification Section  
Office of Public Records and Repositories



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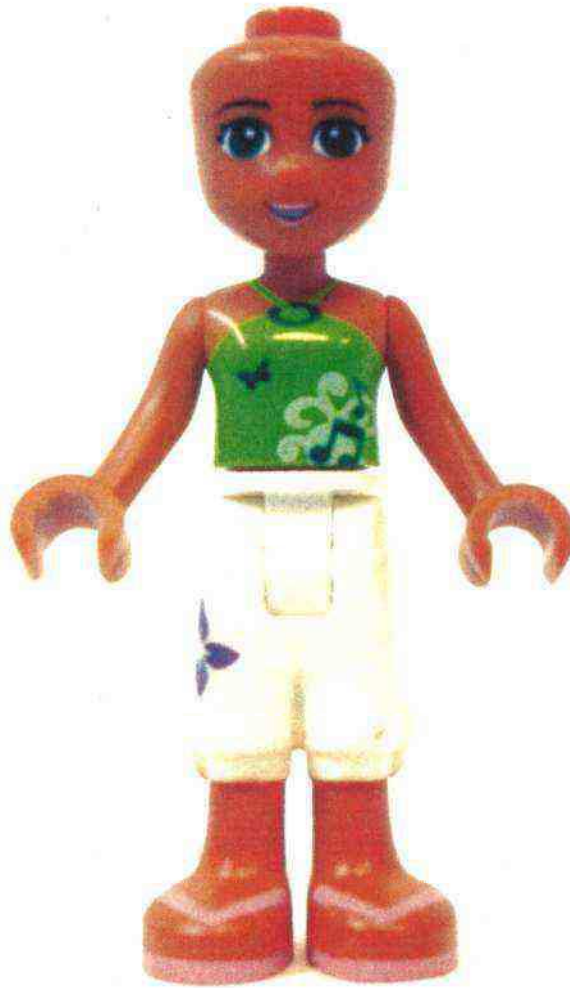






















# Exhibit M

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**THIS IS TO CERTIFY** that the attached color photocopies are a true representation of the work entitled **FIGURE WITH ROLLED SHORTS** deposited in the Copyright Office with claim of copyright registered under **VA 1-876-279**.

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*Veronica Patten*

By: Veronica Patten  
Supervisory Copyright Specialist  
Records Research and Certification Section  
Office of Public Records and Repositories

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Case 3:18-cv-02045 Document 1-13 Filed 12/13/18 Page 7 of 8





# Exhibit N

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**THIS IS TO CERTIFY** that the attached color photocopies are a true representation of the work entitled **FIGURE WITH SKIRT** deposited in the Copyright Office with claim of copyright registered under **VA 1-876-378**.

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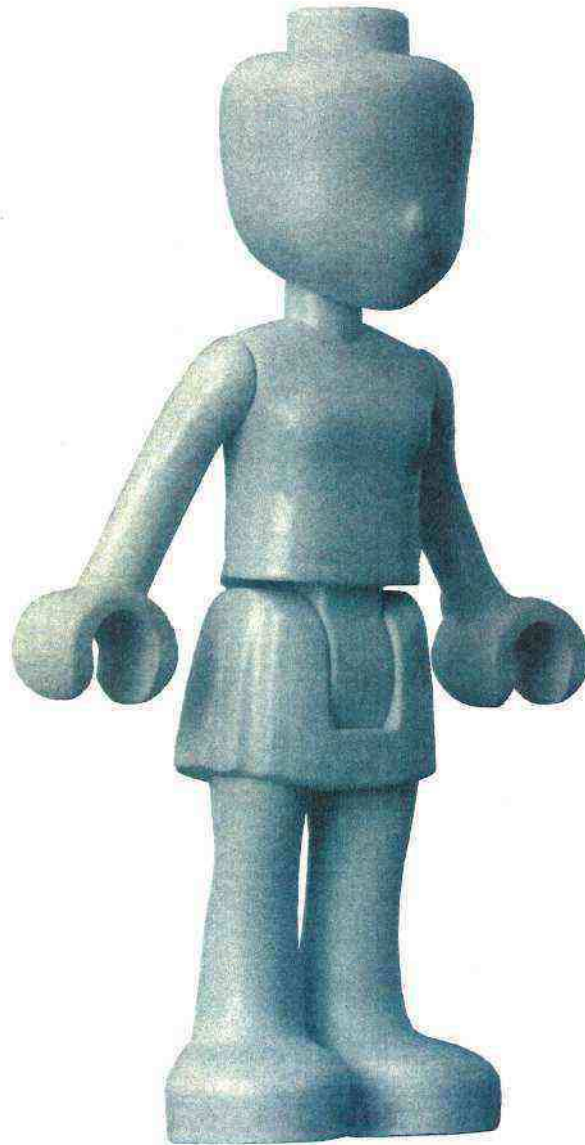
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By: Veronica Patten  
Supervisory Copyright Specialist  
Records Research and Certification Section  
Office of Public Records and Repositories



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# Exhibit O

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**THIS IS TO CERTIFY** that the attached color photocopies are a true representation of the work entitled **FIGURE WITH TIERED SKIRT** deposited in the Copyright Office with claim of copyright registered under **VA 1-876-373**.

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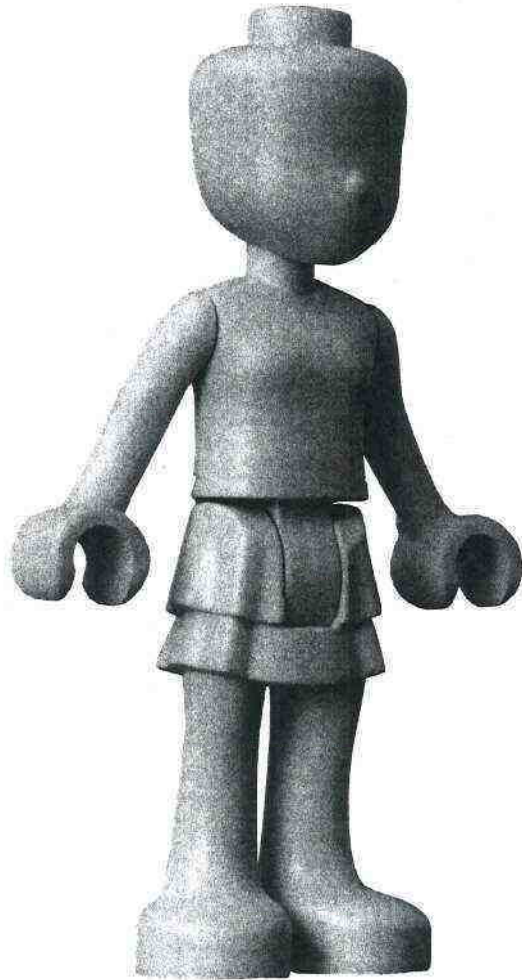
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Records Research and Certification Section  
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# Exhibit P

**Int. Cl.: 28**

**Prior U.S. Cls.: 22, 23, 38 and 50**

**Reg. No. 2,273,314**

**United States Patent and Trademark Office**

**Registered Aug. 31, 1999**

**TRADEMARK  
PRINCIPAL REGISTER**



**KIRKBI AG (SWITZERLAND CORPORATION)  
NEUHOFSTRASSE 21  
CH-6340  
BAAR, SWITZERLAND**

**FOR: TOY VEHICLES; TOY FIGURES AND  
CONSTRUCTION TOYS, IN CLASS 28 (U.S.  
CLS. 22, 23, 38 AND 50).**

**FIRST USE 0-0-1961; IN COMMERCE  
0-0-1961.**

**THE MARK CONSISTS OF A CYLINDRICAL  
SURFACE FEATURE AND IS NOT THE CON-  
FIGURATION OF ENTIRE PRODUCT OR  
PACKAGING.**

**SEC. 2(F).**

**SER. NO. 75-281,464, FILED 4-25-1997.**

**SALLY SHIN, EXAMINING ATTORNEY**

# Exhibit Q

**Int. Cl.: 28**

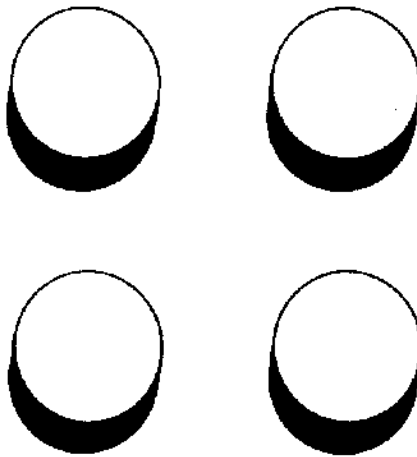
**Prior U.S. Cls.: 22, 23, 38 and 50**

**Reg. No. 2,273,321**

**United States Patent and Trademark Office**

**Registered Aug. 31, 1999**

**TRADEMARK  
PRINCIPAL REGISTER**



**KIRKBI AG (SWITZERLAND CORPORATION)  
NEUHOFSTRASSE 21  
CH-6340  
BAAR, SWITZERLAND**

**FOR: TOY FIGURES AND CONSTRUCTION  
TOYS, IN CLASS 28 (U.S. CLS. 22, 23, 38 AND  
50).**

**FIRST USE 0-0-1961; IN COMMERCE  
0-0-1961.**

**THE MARK CONSISTS OF FOUR CYLINDRI-  
CAL SURFACE FEATURE ON PACKAGING  
AND IS NOT THE CONFIGURATION OF THE  
ENTIRE PACKAGING.**

**SEC. 2(F).**

**SER. NO. 75-289,201, FILED 5-9-1997.**

**SALLY SHIN, EXAMINING ATTORNEY**

# Exhibit R

**Int. Cl.: 28**

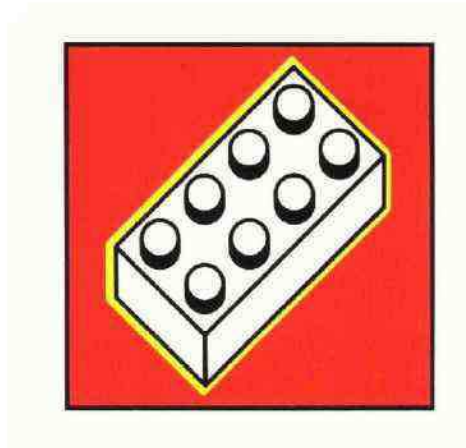
**Prior U.S. Cls.: 22, 23, 38 and 50**

**Reg. No. 2,922,658**

**United States Patent and Trademark Office**

**Registered Feb. 1, 2005**

**TRADEMARK  
PRINCIPAL REGISTER**



KIRKBI AG (SWITZERLAND CORPORATION)  
NEUHOFSTRASSE 21  
CH-6340 BAAR, SWITZERLAND

FOR: CONSTRUCTION TOYS, IN CLASS 28 (U.S.  
CLS. 22, 23, 38 AND 50).

FIRST USE 10-26-1987; IN COMMERCE 10-26-1987.

OWNER OF U.S. REG. NOS. 1,834,745, 2,273,321  
AND OTHERS.

THE COLORS RED, BLACK, YELLOW, WHITE  
ARE CLAIMED AS A FEATURE OF THE MARK.

THE MARK COMPRISES A RED SQUARE, OUT-  
LINED IN BLACK, WITHIN WHICH APPEARS IN  
WHITE, OUTLINED IN YELLOW, A FANCIFUL  
REPRESENTATION OF THE TOP PORTION OF A  
BUILDING BLOCK HAVING EIGHT STUDS.

THE MARK INCLUDES A STYLIZED DEPICT-  
TION OF THE TOP PORTION OF A BUILDING  
BLOCK. HOWEVER, THE WHOLE MARK IS OB-  
VIOUSLY A LOGO, NOT A PRODUCT CONFIG-  
URATION.

SER. NO. 78-250,294, FILED 5-15-2003.

JAMES A. RAUEN, EXAMINING ATTORNEY



# **Exhibit H**

19-2122

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IN THE  
**United States Court of Appeals**  
FOR THE FEDERAL CIRCUIT

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LEGO A/S, LEGO SYSTEMS, INC., LEGO JURIS A/S,

*Plaintiffs-Appellees,*

—v.—

ZURU INC.,

*Defendant-Appellant.*

---

ON APPEAL FROM THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF CONNECTICUT  
JUDGE ALVIN W. THOMPSON  
3:18-CV-02045-AWT

---

**REPLY BRIEF OF DEFENDANT-APPELLANT ZURU INC.**

---

TAMI LYN AZORSKY  
R. TYLER GOODWYN IV  
JOHN W. LOMAS, JR.  
DENTONS US LLP  
1900 K Street, N.W.  
Washington, DC 20006  
(202) 496-7183

*Attorneys for Defendant-Appellant  
ZURU Inc.*

---

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## CERTIFICATE OF INTEREST

Counsel for Defendant-Appellant ZURU Inc. certify the following:

1. The full name of every party or amicus represented by me is:

ZURU Inc.

2. The name of the real party in interest if the party named in the caption is not the real party in interest is:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the real parties represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

Partner Simon I. Allentuch of Aeton Law Partners LLP

Partners Thomas M. Dunlap, Cortland Christopher Putbrese, and Nicholas Kurtz, and Associate Laura Seferian of Dunlap Bennett & Ludwig PLLC (*terminated*)

Sandy Theodosiou-Roussas of Stockman O'Connor (*terminated*)

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal

None.

Dated: August 28, 2019

By: /s/ Tami Lyn Azorsky

Tami Lyn Azorsky  
R. Tyler Goodwyn, IV  
John W. Lomas, Jr.  
DENTONS US LLP  
1900 K Street, N.W.  
Washington, DC 20006  
(202) 496-7183  
[tami.azorsky@dentons.com](mailto:tami.azorsky@dentons.com)  
[tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
[john.lomas@dentons.com](mailto:john.lomas@dentons.com)

*Attorneys for Defendant-Appellant  
ZURU Inc.*

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2 McCarthy on Trademarks and Unfair Competition (5th ed.) § 11:85 .....22

## INTRODUCTION

LEGO concedes that an injunction should not have issued unless LEGO established irreparable harm. But to defend the injunction against ZURU's Action Figures, LEGO cites only to the massive strength of its name and logo, which is not harm and actually makes confusion and loss of goodwill unlikely, and self-serving testimony speculating about potential future generational harm that relies on further speculation that a child might have a poor experience with the ZURU Action Figures and believe the figure is a LEGO product causing that child that the child's children to avoid LEGO products. LEGO's speculation is contradicted by LEGO's own evidence showing that kids love ZURU's product and by LEGO's own touting of its world-famous "LEGO" that appears on LEGO's figures and packaging, but not ZURU's figures and packaging.

LEGO's brief also fails to justify the district court's erroneous analysis of the potential merits of LEGO's copyright and trademark infringement claims. ZURU established a litany of fundamental analytical errors by the district court. LEGO fails to address most of them, instead relying on an overlay of two-dimensional drawings of humanoid figure silhouettes and removing and replacing figurine pieces rather than proper comparisons between the ZURU Action Figures and the registered copyrighted figures and registered trade dress that LEGO has actually asserted.

LEGO's brief confirms that that the district court also abused its discretion when it enjoined the accused MAX Build More Bricks and MAYKA Tape Image. LEGO fails to respond to and thus concedes ZURU's showing that there is no evidence that (i) the three accused MAX Build More bricks lack quality or are inferior to LEGO's bricks, (ii) the asserted LEGO's Design Patents have anything to do with LEGO's brand equity, or (iii) the alleged infringement of LEGO's Design Patents by just three of several dozen brick designs in the MAX Build More Brick sets could harm LEGO's brand equity or goodwill. Similarly, LEGO fails to identify any evidence of harm—irreparable or otherwise—associated with the alleged infringement of its Friends Copyrights by the MAYKA Tape Image.

LEGO also fails to rebut ZURU's showing that the district court abused its discretion in setting a nominal bond that bears no relationship to ZURU's projected losses. LEGO effectively concedes that the district court's approach—short-circuiting a proper analysis by asserting that ZURU deserves the losses it incurs from the injunction—is flawed by acknowledging that an injunction bond's purpose is to provide a remedy for a party that is *wrongfully* enjoined. Contrary to LEGO's assertion, the district court did not reject ZURU's uncontroverted evidence of its projected losses, it did not even consider it. That is reversible error.

## ARGUMENT

### **I. THE DISTRICT COURT ABUSED ITS DISCRETION IN GRANTING A PRELIMINARY INJUNCTION FOR LEGO'S COPYRIGHT AND TRADEMARK CLAIMS AGAINST THE ZURU ACTION FIGURES**

#### **A. The District Court Erroneously Determined That LEGO Would Likely Suffer Irreparable Harm Absent A Preliminary Injunction**

- 1. The district court's determination that LEGO would likely suffer irreparable harm from alleged copyright infringement by the ZURU Action Figures is a clearly erroneous assessment of the evidence.**

LEGO concedes that irreparable harm is a prerequisite for a preliminary injunction (LEGO Br. at 65), and fails to rebut ZURU's showing that the district court's finding of irreparable harm from alleged infringement of the LEGO Figure Copyrights was clearly erroneous because there is no evidence of any actual or imminent harm. ZURU Br. at 20-24.

Instead of pointing to evidence of actual and imminent harm that it would suffer from the sale of ZURU's Action Figures, LEGO highlights its dominant brand equity position. *See* LEGO Br. at 65-66. But having the most brand equity in the toy industry does not constitute evidence of irreparable harm. To the contrary, that the LEGO brand name and logo is so well known and established undermines any claim that LEGO would lose goodwill from purported confusion

between ZURU's Action Figures and LEGO's minifigures.<sup>1</sup>

The extraordinarily well known LEGO name and logo is prominently displayed on LEGO's minifigure packaging. *E.g.*, Appx130-133, Appx161-162, Appx172. The LEGO name and logo appears nowhere on the packaging for ZURU's Action Figures. Appx1843; see also Appx139. To the contrary, ZURU's Action Figures have their own distinct packaging with a giant MAX brand name and logo that predominates. *Id.* That, as LEGO notes (LEGO Br. at 64), the ZURU Action Figures are sold for less than a \$1 each, whereas the premium

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<sup>1</sup> LEGO again makes unsupported claims about the scope of its intellectual property rights that have no basis in law or fact, when it contends that in its "own corporate logo, ZURU unabashedly seeks to evoke an association with the "the 'world-famous LEGO logo.'" LEGO Br. at 14. It is not clear how LEGO believes such an association could be made given that the LEGO logo says "LEGO" and the ZURU logo says "ZURU". But, as it did in its comparison of figures below—when it took the Santa hat and beard off its Santa figure and changed its head, and took the hair and ninja mask off a ZURU figure and changed its head to come up with a red LEGO figure to compare to a red ZURU figure—LEGO wrongly suggests that ZURU's logo is a red square. It is not.



The ZURU logo is the ZURU name in yellow, standard block lettering outlined in black and with the letters tilting in different directions as if bumping into each other. *E.g.*, Appx1730. The LEGO logo is the LEGO name in white, and an unusual rounded lettering outlined in black and then outlined again in yellow with the letters uniformly leaning to the right and centered in a red square. Further, as LEGO acknowledges, ZURU has been in business more than ten years, selling a wide variety of different toys, and did not start selling the construction bricks and figures that LEGO attacks until October 2018.

LEGO minifigures are sold for \$5 each further shows there is no likelihood of confusion. *Western Pub. Co. Inc. v. Rose Art Indust. Inc.*, 733 F. Supp. 698, 701-702 (S.D.N.Y. 1990) (finding no likelihood of confusion, citing the “obvious price differential” between a \$1.50 to \$2.50 Magic Slate toy and a \$10.00 to \$15.00 Golden Slate toy in its decision that “even the least sophisticated buyer would not be confused as to the relationship of the products or their sources”).

LEGO’s irreparable harm argument is essentially this: LEGO thinks consumers shopping for toy bricks and minifigures—including its own customers—are not very smart. LEGO assumes its customers cannot distinguish between packaging sold with the world-famous logo, what LEGO trumpets as the leading brand name in the industry:



and products that do not bear the LEGO name or logo anywhere, but are instead sold in packaging with this brand:



**ZURU Action Figure package**



- MAX Build More name and logo
- Fifteen figures
- Pre-assembled figures
- Less than \$1 per figure

**LEGO minifigure package**



- LEGO name and logo
- One figure
- Unassembled figure
- About \$5 per figure

LEGO thinks its customers would look at the above two products in the store, the one on the left with ZURU’s giant MAX Build More brand logo and having no LEGO logo or name anywhere, and containing fifteen assembled ZURU Action Figures for a price of about \$13, less than \$1 a figure, and the one on the right with LEGO’s world-famous name and brand logo, and containing only one unassembled minifigure for a price of about \$5, and somehow think the package on the left is a LEGO product. LEGO offered no evidence that toy brick and figure customers are as incapable as LEGO apparently thinks they are.

Contrary’s to LEGO’s unsupported assertion, LEGO offered no evidence that LEGO faces any “immediate loss of sales and market share” from the sale of

ZURU's Action Figures. *See* LEGO Br. at 67. LEGO's witness David Buxbaum testified that it would be *other toy companies* that sell low-priced products, not the premium LEGO brand, that would lose market share. Appx1248. LEGO also offered no evidence that it suffered any loss of goodwill or damage to its reputation while the ZURU Action Figures were being sold. Buxbaum's theorizing of future generational harm is just speculation on top of speculation, which is disproven by LEGO's own evidence:

- Buxbaum's theory is first based on speculation that a child might have a "poor experience" with ZURU's Action Figures. Appx43. But the parent who authored the one customer review on which LEGO relies said "Awesome set *my boys love them!*". Appx27, Appx360-361, Appx1744 (emphasis added).
- Buxbaum then speculates that the child who would have the poor experience would believe that the figure was a LEGO product. *See* Appx43. But, there are clear differences between the figures, their packaging, and their price point that nullifies the likelihood of any such confusion. ZURU Br. at 54-57, 61; *supra* at 3-6. Indeed, LEGO apparently believes the children who play with such toys would certainly know the difference because LEGO avoids children—the target market for these products—as the ordinary observer for



purposes of the copyright infringement test. *See* LEGO Br. at 38.

- Next, Buxbaum speculates that the experience with the ZURU Action Figure will be so poor it will cause the child to swear off LEGO products for life and not buy LEGO products for their future children. Appx43. It's not clear what type of off-putting experience Buxbaum is thinking of, as he doesn't explain.

**2. The district court erred as a matter of law when it improperly presumed irreparable harm for LEGO's claim that the ZURU Action Figures infringe the LEGO Miniigure Trademark.**

LEGO concedes that the district court simply presumed irreparable harm from the alleged infringement of the LEGO Figure Trademark. *See* LEGO Br. at 68-69 (attempting to borrow for its trademark claim the alleged irreparable harm associated with LEGO's copyright claim). Notwithstanding LEGO's mischaracterization of ZURU's argument (*see* LEGO Br. at 68), ZURU established that the district court's presumption inexplicably disregarded *that court's own precedent* that irreparable harm may not be presumed in trademark cases, *and* the Second Circuit's clear and unequivocal directive in *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010), that courts may no longer presume irreparable harm. ZURU Br. at 25-26 citing *People's United Bank v. Peoplesbank*, No. 3:08CV01858(PCD), 2010 WL 2521069, at \*3 (D. Conn. June 17, 2010) (internal citations and

quotations omitted), aff'd, 401 F. App'x 607 (2d Cir. 2010) and *Salinger*, 607 F.3d at 82. LEGO's attempt to revive a presumption of irreparable harm in trademark infringement cases that no longer exists must fail.

Given the district court's errors of law in its irreparable harm analysis, the district court abused its discretion in granting a preliminary injunction against the ZURU Action Figures.

**B. The District Court Erred By Concluding The Balance Of Hardships Tilts In Lego's Favor**

LEGO does not dispute that ZURU has and will continue to suffer substantial hardship from the Preliminary Injunction including lost sales, lost shelf space, and damaged relationships with retailers. LEGO Br. at 69; ZURU Br. at 26-28. LEGO argues only that the district court appropriately disregarded ZURU's hardship as attributable to deliberate acts of infringement. LEGO Br. at 69. But the authority on which LEGO and the district court relied is easily distinguishable. In that case, it was "*undisputed* that [the plaintiffs] own valid copyrights and that [the defendant] is making public performances of [the plaintiffs'] works without [the plaintiffs'] consent." ZURU Br. at 28-29 citing *WPIX, Inc. v. ivi, Inc.*, 765 F. Supp. 2d 594, 601 (S.D.N.Y. 2011) (emphasis added). ZURU is vigorously challenging, among other things, infringement and validity of the asserted rights,<sup>2</sup>

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<sup>2</sup> See, e.g., Appx529-531, Appx592-595, Appx1119-1133, Appx1136-1180, Appx1578, Appx1589-1596.

and the record, properly considered, demonstrates that LEGO is not likely to succeed on its infringement claims against the ZURU Action Figures. The district court's determination otherwise is based on legal error and clearly erroneous assessments of the evidence. ZURU Br. at 29-63; *infra* at 10-23.

**C. LEGO Fails To Rebut ZURU's Showing That The District Court Erred When In Determining That Lego Is Likely To Succeed On Infringement Claims Against The ZURU Action Figures.**

**1. LEGO fails to rebut ZURU's showing that the district court's finding as to LEGO's likelihood of success on the merits of its copyright infringement claim against the ZURU Action Figures is the result of legal error and clearly erroneous findings.**

**a. LEGO's reliance on an overlay of 2-D silhouette drawings of humanoid figures is improper and does not show substantial similarity.**

Instead of focusing on a comparison of actual ZURU Action Figures to the LEGO Figure Copyrights as is required, LEGO attempts to hide the obvious differences by relying primarily on an overlay comparison of two-dimensional silhouette drawings of humanoid figures purporting to represent LEGO's asserted copyrights and the accused ZURU products. LEGO Br. at 38. LEGO simply shows its overlay and summarily declares substantial similarity, disregarding the requirements of copyright law. *Id.*; *see also* ZURU Br. 35-36; *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 912-13 (2d Cir. 1980) (holding that "a general impression of similarity is not sufficient"); *see also Belair v. MGA Entm't., Inc.*,

503 F. App'x. 65, 67 (2d Cir. 2012).

LEGO's overlay is irrelevant. An overlay comparison of any 2-D silhouette drawings of humanoid figures would have similarities as any humanoid figure would have common parts—such as legs, arms, hands, a torso, and a head.<sup>3</sup> LEGO does not and cannot have a monopoly on the idea of a humanoid figure. “It is an axiom of copyright law that the protection granted to a copyrightable work extends only to the particular expression of an idea and never to the idea itself.” *Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir.), cert. denied, 429 U.S. 980 (1976) (citing *Mazer v. Stein*, 347 U.S. 201, 217, 74 S.Ct. 460, 470, 98 L.Ed. 630 (1954)).

To the extent LEGO's overlay has any meaning, it refutes LEGO's substantial similarity argument, as substantial differences are evident from how major portions of overlay are almost exclusively red or blue. LEGO Br. at 38. The neck area and the sides of the torso and legs, for example, show large amounts of red, revealing that the red silhouette is much larger and wider than the blue silhouette in those areas. *Id.* The top of the head and shoulders show large amounts of blue, revealing that the blue silhouette is much larger and wider than the red silhouette in those areas. *Id.*

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<sup>3</sup> Furthermore, any functional elements are not subject to copyright protection. *Durham Indus.*, 630 F.2d at 913.

**b. LEGO's sandbagging claim fails.**

LEGO erroneously argues that ZURU's use of LEGO's comparison photos precludes ZURU from challenging the district court's reliance on those photos to show substantial similarity. LEGO Br. at 39-40. ZURU did argue below that LEGO's comparison was improper and alternatively argued that the comparison showed no substantial similarity. Appx560-563; Appx601; Appx613; *see also* Appx1129.

**c. LEGO, like the district court, mangles the ordinary observer test for copyright infringement.**

LEGO, like the district court, makes fundamental mistakes in arguing its own version of the ordinary observer test.

First, like the district court, LEGO conflates copyright and trademark concepts by injecting the purchasing environment of “an adult who is buying toys for a child” into the perception of a lay observer. LEGO Br. at 38. There is no authority cited for the proposition that an adult would exercise a low level of care when purchasing an inexpensive toy for a child, or that the purchasing environment is considered when analyzing the question of substantial similarity in a copyright infringement case—these concepts are improperly borrowed from trademark law. *See, e.g., Denimafia Inc. v. New Balance Athletic Shoe, Inc.*, No. 12 Civ.

4112(AJP), 2014 WL 814532, at \*7 (S.D.N.Y. Mar. 3, 2014) (showing that a trademark likelihood of confusion survey importantly “replicated [the] purchasing

environment”); *Oreck Corp. v. U.S. Sys., Inc.*, 803 F.2d 166, 174 (5th Cir. 1986) (holding, in finding no trademark infringement, that “[t]his is not the sort of purchasing environment in which confusion flourishes”). In copyright, in contrast, the question is whether the “similarity between the products would lead the average lay observer... (to) recognize the alleged copy as having been appropriated from the copyrighted work.” *Herbert Rosenthal Jewelry Corp. v. Honora Jewelry Co., Inc.*, 509 F.2d 64, 65 (2d Cir. 1974).

LEGO also attempts to dumb down the ordinary observer by wrongly claiming that the only pertinent perspective is that of those adults who would not “pay as close attention to these products as children do.” LEGO Br. at 38. “Where the audience to which a work was intended to appeal has been children, the courts on several occasions have stated that the response by which infringement should be judged is that of a child.” 2 *The Law of Copyright* § 14:23 (Oct. 2018); *see also Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 902 (9th Cir. 1987) (“Because children are the intended market for the dolls, we must filter the intrinsic inquiry through the perception of children.”). Here, the average lay observer is not a disinterested adult as LEGO claims, but the interested child for whom the figures are meant.

If anything, the ordinary observer here should be more discerning, not less. As LEGO concedes, the figures subject to LEGO’s asserted copyrights have

functional elements that are not protectable by copyright. ZURU Br. at 40; *see also* LEGO Br. at 42. When there are both protectable and non-protectable elements in a work, the perspective of a “more discerning observer” applies. *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131, 141-142 (1992).

2. **LEGO fails to rebut ZURU’s showing that the district court erred in concluding that LEGO is likely to succeed on the merits of its claim that the ZURU Action Figures infringe the LEGO Figure Trademark.**
  - a. **LEGO fails to address nearly all of the errors ZURU identified in the district court’s reliance on comparisons of the ZURU Action Figures to LEGO’s unregistered product designs.**

LEGO does not dispute that:

(i) particular caution must be exercised when extending trademark protection to product designs, *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 114-15 (2d Cir. 2001);

(ii) product design trade rights such as those claimed by LEGO here, are only protectable in specific product configurations, for specific non-functional aspects that serve as source identifiers and have acquired distinctiveness, *Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205, 212-16 (2000), *see also Yurman Design*, 262 F.3d at 116-17 (noting that even cases involving purported aesthetic features, the dress is functional if it could put competitors at a non-reputation-related disadvantage, as this is anti-competitive);

(iii) each element of the asserted trade dress must be clearly delineated and compared between the products, particularly when seeking protection for a product line, *Yurman Design*, 262 F.3d at 116-17; or

(iv) a trademark application and subsequent registration apply to a single mark—not to endless interchangeable variants of a mark, *In re Int'l Flavors & Fragrances, Inc.*, 183 F.3d 1361, 1365-66 (Fed. Cir. 1999).

ZURU showed that the district court improperly compared the ZURU Action Figures to various unregistered LEGO product configurations rather than the registered trade dress that LEGO has actually asserted, and that in doing so, the district court:

- effectively attributed to the LEGO Figure Trademark a scope that is broader than the registered scope, defeating the notifying function of federal trademark registrations and undercutting the Trademark Office's policy of granting just one mark per application;
- improperly extended trade dress to various different LEGO product configurations without (i) identifying the elements of the particular configuration that comprise the trade dress, (ii) finding that those design elements are not functional or too general, (iii) determining that the elements that comprise the trade dress actually serve as a source identifier and are not just decorative or aesthetically pleasing



and (iv) requiring proof that the allegedly protectable trade dress elements have acquired distinctiveness, *Wal-Mart Stores*, 529 U.S. at 212-16, *Yurman Design*, 262 F.3d at 116-17; and

- improperly extended trade dress protection to a product line without undertaking the required analysis described above and without the requisite finding that the set of protectable elements in each separate product within the entire line is consistent, *see Yurman Design*, 262 F.3d at 116-17.

ZURU Br. at 45-47. LEGO fails to address any of these issues in its brief.

LEGO's only response to the district court's improper comparison of ZURU's Action Figures to LEGO's unregistered product designs, is to assert that "conflicting marks should be compared as they appear to ordinary customers in the marketplace." LEGO Br. at 52. But that assertion does not address the issue of the district court improperly relying on different, unregistered product configurations.

Nor is what the district court did consistent with LEGO's assertion. In the marketplace, a purchaser wouldn't be pulling ZURU Action Figures and LEGO's figures out of their packaging to compare them side by side. The district court's side-by-side figure comparison disregards that the LEGO figures are contained in packaging that prominently displays the world-famous LEGO brand name and logo, and the ZURU Action Figures are contained in packaging that has no

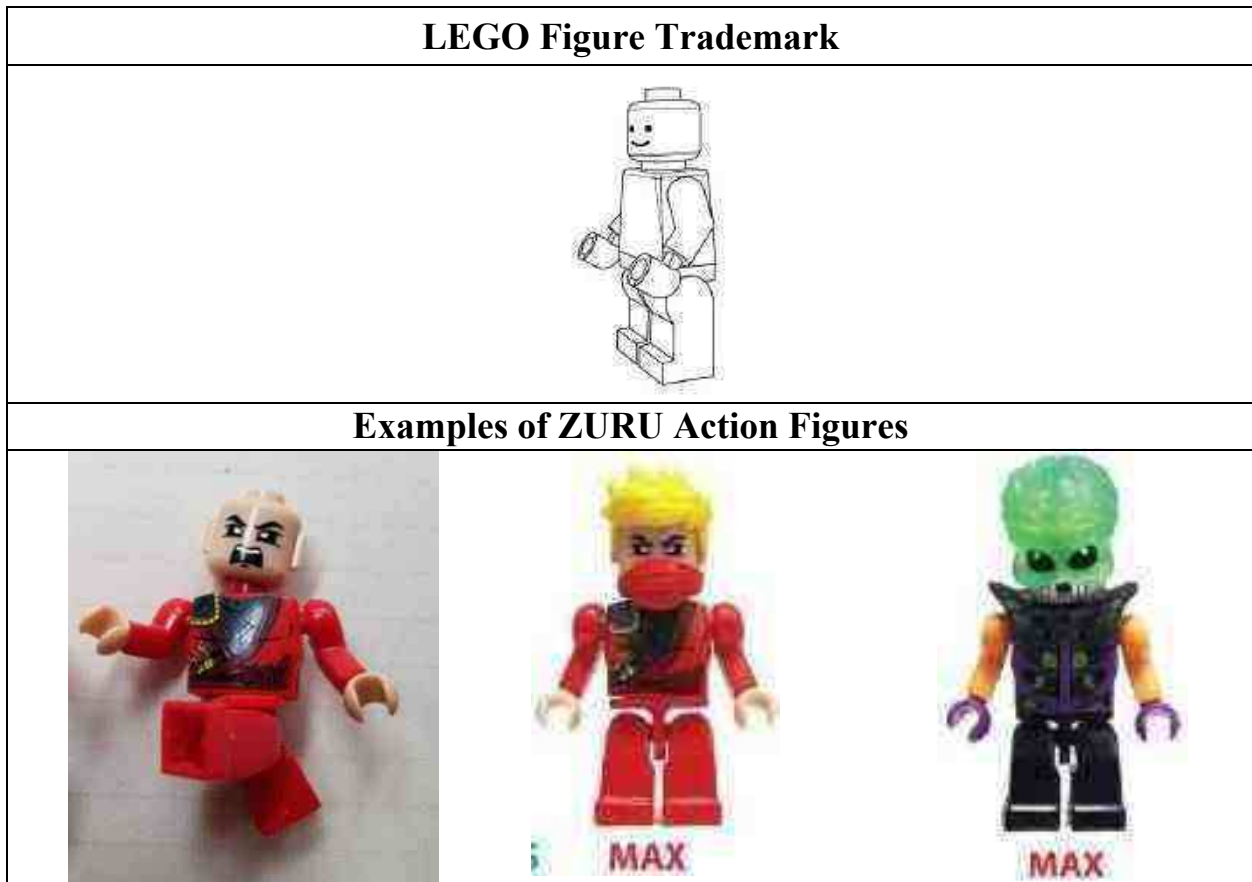
mention of LEGO but rather a predominant image of ZURU's MAX Build More brand name and logo, and other graphic differences in packaging. ZURU Br. at 54-57; *supra* at 4-6; *infra* at 19-22.

And below, LEGO and the district court primarily relied on LEGO's expert witness who compared two figures that were modified so that they did not appear as they do to ordinary customers in the marketplace. The figure comparison on which LEGO and the district court primarily relied appears on page 49 of its brief. Comparing that image to the one on page 50 of its brief shows that LEGO used the body of its (*unregistered*) Santa figure but a different face (and thus a different head) than its Santa figure and without the Santa beard and hat, and the body of a ZURU figure but with a different face (and thus a different head than the head on the figure when sold) and without the hair that is on the figure when sold. That ZURU figure is also sold with its face covered by red mask (*see* Appx1843; *see also* Appx139), but LEGO also removed that before using that figure for its comparison. By LEGO's own admission, LEGO's manipulation of the products from how they actually appear in the marketplace for a trademark analysis is improper, as is the district court's reliance on that comparison. LEGO Br. at 52.




**b. LEGO fails to rebut ZURU’s showing that the district court erred in concluding that the ZURU Action Figures are likely to cause confusion.**

**(i) LEGO’s conclusory assertion that the ZURU Action Figures are similar to the LEGO Figure Trademark fails.**

ZURU showed in great detail that the significant and dominant portions—including the torso, leg bulge, leg shape, face, ears, neck, head size, and arms—of the LEGO Figure Trademark (and various other LEGO minifigure configurations) are substantially different from those of the ZURU Action Figures. ZURU Br. at 49-51; *see also* ZURU Br. at 12.



ZURU also showed that LEGO's own witness confirmed that the ZURU Action Figures are different with respect to the specific delineated elements of the LEGO Figure Trademark. *Id.* LEGO addresses none of this.

		
<p><b>LEGO Figure Trademark</b></p>	<p><b>An unregistered LEGO Minifigure configuration selected by LEGO for comparison</b></p>	<p><b>A ZURU Action Figure selected by LEGO for comparison</b></p>

Instead, LEGO simply asserts in conclusory fashion, primarily using a modified version of its unregistered Santa figure and a modified version of a ZURU figure, that certain ZURU Action Figures are similar in overall impression to certain unregistered LEGO figures. *See* LEGO Br. at 49-50. That is not sufficient. *E.g., Yurman Design*, 262 F.3d at 116-18 (cautioning against a situation where jury is not considering the same specific elements and features compose the trade dress, leading to a verdict based on inconsistent findings).

**(ii) LEGO fails to rebut ZURU's showing that there is no likelihood of confusion.**

LEGO's attempted support of the district court's decision also erroneously disregards how the real world purchasing environment precludes confusion, including because the ZURU Action Figures:

(i) come in packaging that bears the MAX Build More brand mark and other distinct graphic elements, that makes no use of the LEGO name or mark, and that includes a statement indicating that the figures are compatible with "major brands" which clearly signifies they are not LEGO products (Appx1843; *see also* Appx139);



(ii) are marketed in advertisements and promotions that prominently show the ZURU house marks, the MAX Build More brand mark and other distinguishing visual features; that make no use of the LEGO name or mark; and that include a statement indicating that the figures are compatible with “major brands” (e.g., Appx1736-1744); and

(iii) are, as LEGO admits, sold at lower prices and targeted to different consumers than LEGO products (Appx671-672, Appx1248, Appx1363-1364, Appx1381-1382). *See Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 828 (Fed. Cir. 1992) (prominent labelling of the packaging with the brand name and trademark logo is probative evidence that the products are not confusingly similar) (citing *Bose Corp. v. Linear Design Labs, Inc.*, 467 F.2d 304, 310 (2d Cir. 1972)).

In light of all these other factors, it is not surprising that there is little or no actual confusion. LEGO fails to even acknowledge, let alone attempt to rebut, ZURU’s showing that given the volume of social media comments about ZURU’s products and LEGO’s incentive to hunt for evidence of confusion, even if the three social media comments cited in LEGO’s brief and the district court’s opinion did reflect actual confusion (which is a stretch), they do not support a finding of any likelihood of confusion. ZURU Br. at 52-53 citing *Nora Beverages, Inc. v. Perrier Grp. of Am., Inc.*, 269 F.3d 114, 123–24 (2d Cir. 2001); *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 83 F.3d 169, 173 (7th Cir. 1996); *Petro Shopping Ctrs. L.P. v.*

*James River Petroleum*, 130 F.3d 88, 95 (4th Cir. 1997); *Advance Magazine Publishers, Inc. v. Norris*, 627 F. Supp. 2d 103, 121 (S.D.N.Y. 2008); *Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Ctr.*, 109 F.3d 275, 284 (6th Cir. 1997).

**(iii) LEGO's defense of the district court's erroneous bad faith finding fails.**

On the issue of bad faith, LEGO argues that ZURU had some duty to name and dress its product to avoid confusion. LEGO Br. at 57. As discussed above, that's precisely what ZURU has done. *Supra* at 4-6, 19-20.

**(iv) LEGO's defense of the district court's finding concerning the strength of the LEGO Figure Trademark fails.**

LEGO attempts to rebut ZURU's showing that the marketplace is flooded with small, human-form toy figures sold by a variety of manufacturers by citing to LEGO's purported efforts to police the market. But LEGO presented no evidence that such enforcement has been successful or valid, and disregards that its own witness admitted that "you can probably find" most of these products available for sale on the internet. Appx1245. *See* 2 McCarthy on Trademarks and Unfair Competition (5th ed.) § 11:85.

LEGO also fails to rebut ZURU's showing that the purported strength of the LEGO Figure Trademark is diluted given LEGO sells thousands of different and unregistered minifigure designs that differ from the plain, unadorned minifigure that

is the only registered and asserted trademark, and that many of LEGO's prominent minifigures are based on characters—including from Star Wars, Harry Potter, and Indiana Jones—covered by intellectual property licensed to LEGO by others.

ZURU Br. at 60-61. LEGO also avoids addressing that it is the LEGO name—the most powerful brand in the world—and the “world-famous LEGO® logo” prominently displayed on LEGO's minifigure packaging that are the primary source identifiers for LEGO products. ZURU Br. at 61.

**(v) The findings on the remaining factors are clearly erroneous or otherwise insignificant in the overall *Polaroid* factor analysis.**

To defend the district court's finding on quality, LEGO refers to the single customer review stating that the ZURU Action Figures were “awesome” and that the reviewer's boys love them, and the district court's parenthetical reference to a physical examination of the ZURU “specimens in Pls.' Ex. 1,” but fails to address ZURU's showing that the district court offered no explanation for its assertion about the physical examination (*see* ZURU Br. at 62, n.10).<sup>4</sup> *See* LEGO Br. at 63.

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<sup>4</sup> LEGO also cites testimony concerning so-called clutch power that the district court did not address in its opinion. But that testimony came from a witness who had no training or experience designing construction toys, has never obtained patents in the construction toy space, and who had only a small amount of experience related to construction toys and none concerning any construction toys that went into production. Appx1421. Her testimony reflected a lack of understanding of the importance of certain factors critical in the design and manufacture of injection molded plastic construction toy parts.



In attempting to defend the district court's finding that the proximity factor favors LEGO after finding that "there is no difference between [ZURU and LEGO] in terms of the relevant market they target," LEGO fails to address the uncontroverted testimony that ZURU targets an economically disadvantaged market for whom the premium priced LEGO products are out of reach, and LEGO's own witness's corroborating testimony that ZURU products do not take market share from LEGO, but from other brands in the non-premium, low-cost market. Compare ZURU Br. at 62-63 with LEGO Br. at 53.

On the customer sophistication factor, LEGO disregards ZURU's showing that no sophistication is necessary to distinguish between the products given the LEGO products feature the world-famous LEGO name and a premium-price, and the ZURU Action Figures are much less expensive and do not include the LEGO name or logo but a prominent MAX Build More logo, are far less expensive, and have other packaging differences. *Compare* ZURU Br. at 63 with LEGO Br. at 64.

In sum, LEGO fails to rebut ZURU's showing that the district court erred in its Polaroid factor analysis. The district court's ultimate conclusion that LEGO was likely to show actual confusion is based on clearly erroneous findings and wrong as a matter of law.

## **II. THE DISTRICT COURT ABUSED ITS DISCRETION IN GRANTING A PRELIMINARY INJUNCTION FOR LEGO'S DESIGN PATENT CLAIMS AGAINST ZURU'S MAX BUILD MORE BRICKS**

LEGO does not dispute and thus concedes the lack of evidence (i) showing that the three accused ZURU MAX Build More bricks are of poor quality or are in any way inferior to LEGO's bricks, (ii) linking LEGO's enormous brand equity to the asserted LEGO Design Patents, or (iii) showing that LEGO's equity and reputation could be threatened if a few of the hundreds of bricks that come in the ZURU brick sets were to infringe the LEGO Design Patents. *Compare* ZURU Br. at 64-65 to LEGO Br. at 73-75.

In an opinion on which LEGO relies (*see* LEGO Br. at 74), this Court rejected as a disservice to the patent system, the concept that every patentee is always irreparably harmed by an alleged infringer's pretrial sales. *Reebok v. Int'l. Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1558 (Fed. Cir. 1994). In that case, this Court also recognized that a patentee's potential lost sales alone could not constitute irreparable harm. *Id.* at 1558. Here, LEGO offered no evidence of potential lost sales nor any other harm associated with the alleged design patent infringement. Thus, the district court abused its discretion when it enjoined ZURU's MAX Build More bricks.

**III. THE DISTRICT COURT ABUSED ITS DISCRETION IN GRANTING A PRELIMINARY INJUNCTION FOR LEGO'S FRIENDS COPYRIGHT CLAIMS AGAINST THE MAYKA PACKAGE IMAGE**

**A. THE PRELIMINARY INJUNCTION AGAINST THE MAYKA PACKAGE IMAGE WAS AN ABUSE OF DISCRETION GIVEN LEGO PRESENTED NO EVIDENCE OF IRREPARABLE HARM OR ANY OTHER HARM**

LEGO's response to ZURU's showing that the district court improperly failed to require evidence of actual and imminent irreparable harm for LEGO's claim that ZURU's MAYKA Package Image infringes the LEGO Friends Copyrights actually proves ZURU's point. LEGO does not deny, and thus concedes that:

(i) there is no evidence that the MAYKA Toy Tape is lacking in quality or in any way inferior to LEGO products;

(ii) LEGO does not sell a product similar to the MAYKA Toy Tape (and thus is not threatened with lost sales); and

(iii) there is no evidence showing how LEGO's enormous brand equity could possibly be threatened by the MAYKA Package Image. ZURU Br. at 65-66; LEGO Br. at 73. LEGO cites only to investments in the marketing of its Friends line of products back in 2012 (LEGO Br. at 73), but this marketing investment is not harm.

LEGO fails to identify any evidence of harm in its brief because LEGO

offered no evidence of harm below. *See* ZURU Br. at 62-63; LEGO Br. at 73. Thus the district court's finding that continued sales of the MAYKA Package Image would likely result in considerable confusion, lost goodwill and reputational damage to LEGO is clear error. For this reason alone, the preliminary injunction against the MAYKA Package Image was an abuse of discretion and should be reversed.<sup>5</sup>

**B. THE PRELIMINARY INJUNCTION AGAINST THE MAYKA PACKAGE IMAGE WAS ALSO AN ABUSE OF DISCRETION AS IT IS NOT SUBSTANTIALLY SIMILAR TO THE FRIENDS COPYRIGHTS**

LEGO's attempted rebuttal of ZURU's showing that the district court erred in its assessment of the likelihood that LEGO would succeed on its Friends Copyright infringement claim also fails. Contrary to LEGO's argument (LEGO Br. at 73), ZURU *did* challenge before the district court using any comparison of the MAYKA Package Image against LEGO's unregistered Friends figurines instead of LEGO's registered copyrights in support of an injunction. ZURU raised this argument in its motion to dismiss briefing, which ZURU incorporated by reference in its opposition to the Preliminary Injunction. Appx560-563; Appx601; Appx613; *see also* Appx1129. Given the overlap, the district court considered and

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<sup>5</sup> For the same reasons, the district court's finding that the balance of hardships tipped in LEGO's favor is clearly erroneous. ZURU Br. at 66.

ruled on ZURU's Motion to Dismiss and LEGO's Motion for Preliminary Injunction together on the same day. Appx49, Appx72-75. Importantly, LEGO did not dispute below that an accused work must be judged in comparison to the copyright documentation. Appx1129.

LEGO's argument that the MAYKA Tape Image is substantially similar to LEGO's Figure with Skirt Copyright fails. Under LEGO's view, and the district court's decision, LEGO would improperly have copyright protection for the overall idea of a miniature figurine of a girl wearing a skirt, rather than for LEGO's specific expression of that idea. That is not the law. *E.g.*, *Belair*, 503 F. App'x. at 67; *Kregos v. Associated Press*, 3 F.3d 656, 663 (2d Cir. 1993); *Mattel, Inc. v. Azrak-Hamway Int'l, Inc.*, 724 F.2d 357, 359-360 (2d Cir. 1983); *see also Country Kids 'N City Slicks, Inc. v. Sheen*, 77 F.3d 1280 (10th Cir. 1996).

As evident in the images that follow, the shape of the head, the hair, the face, shoulders, arms, hands and hands are all substantially different. ZURU Br. at 67-69; *see also* LEGO Br. at 71-72. The torso and clothing differ as well. Any similarity in the feet is necessitated by the functional need to attach to brick studs. *See* Appx17; *see also Durham Indus.*, 630 F.2d at 913.

**Accused MAYKA Package Image**



**LEGO's Registered Figure with Skirt Copyright**



Ultimately, the overall aesthetic look and feel of LEGO's asserted expression of a miniature figurine of a girl wearing a skirt is robotic, inanimate, and stiff, whereas the aesthetic look and feel of ZURU's expression on the MAYKA Package Image is lifelike, expressive, and active.

**IV. THE DISTRICT COURT ERRED WHEN IT SET THE INJUNCTION BOND AT A NOMINAL AMOUNT OF \$25,000**

LEGO fails to rebut ZURU's showing that the district court abused its discretion when setting the injunction bond at only \$25,000 despite ZURU's

uncontroverted evidence, through testimony from its Chief Operating Officer, that the TRO had already caused ZURU \$1.4 million in lost sales through the Preliminary Injunction hearing and that ZURU would lose \$8 to \$10 million annually if the Preliminary Injunction remained in place. ZURU Br. at 71.

LEGO argues only that the District Court properly rejected that testimonial evidence. LEGO Br. at 76. But the District Court did not reject ZURU's evidence. The District Court never even considered it, and instead simply set a nominal \$25,000 bond after concluding that ZURU itself was to blame for any losses caused by the Preliminary Injunction. Appx49. As ZURU established in its opening brief (ZURU Br. at 71), the District Court's approach is improper because, as LEGO concedes (LEGO Br. at 75-76), the purpose of an injunction bond is to compensate a *wrongfully* enjoined, i.e. blameless party. *Nokia Corp. v. InterDigital, Inc.*, 645 F.3d 553, 557 (2d Cir. 2011).

LEGO's argument not only fails because of its faulty premise, but also because it improperly conflates the standard for *setting* the amount of an injunction bond with the standard for *recovering* on an injunction bond. LEGO cites the *Nokia* decision to argue that "provable damages" are required at this stage (LEGO Br. at 76), but in *Nokia*, the Second Circuit addressed the evidentiary showing to recover on an injunction bond *after* a determination that the defendant was wrongfully enjoined. *Id.* at 557 (holding that a "presumption in favor of recovery

against the bond” should apply for “provable damages.”). The Second Circuit said nothing in *Nokia* about the evidentiary showing to set the amount of the bond in the first instance.

Contrary to LEGO’s argument, when setting the amount of an injunction bond, courts typically rely on estimated projected lost sales in declarations from an employee of the enjoined party without requiring financial records or corroborating expert testimony. ZURU cited two such opinions in its opening brief, and LEGO addresses neither. ZURU Br. at 70-71 (citing *Tinnus Enterprises, LLC v. Telebrands Corp.*, No. 6:17-CV-00170-RWS, 2018 WL 3455543, at \*3-5 (E.D. Tex. July 16, 2018) (crediting projected losses asserted in a declaration from defendant’s executive vice president and chief operating officer, and using that information to set the bond amount); *N. Star Indus., Inc. v. Douglas Dynamics, LLC*, No. CIV. A. 11-C-1103, 2012 WL 507827, at \*1-3 (E.D. Wis. Feb. 15, 2012) (setting the injunction bond in an amount commensurate with the millions of dollars in estimated projected losses asserted in the declaration of the defendant’s engineering director)). And here, unlike in those cases, LEGO even had the opportunity to challenge ZURU’s projected losses when cross-examining ZURU’s witness, but chose not to do so.



## CONCLUSION

For these reasons, ZURU respectfully requests that this Court reverse the district court's Order granting a preliminary injunction.

Dated: August 28, 2019

By: /s/ Tami Lyn Azorsky

Tami Lyn Azorsky  
R. Tyler Goodwyn, IV  
John W. Lomas, Jr.  
DENTONS US LLP  
1900 K Street, NW  
Washington, DC 20006  
(202) 496-7183  
[tami.azorsky@dentons.com](mailto:tami.azorsky@dentons.com)  
[tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
[john.lomas@dentons.com](mailto:john.lomas@dentons.com)

*Attorneys for Defendant-Appellant  
ZURU Inc.*

**CERTIFICATE OF COMPLIANCE**

Pursuant to Fed. R. App. P. 32(g), the undersigned hereby certifies that this brief complies with the type-volume limitation of Federal Circuit Rule 32(a).

1. Exclusive of the exempted portions of the brief, as provided in Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b), this brief contains 6,517 words.

2. The brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in Times New Roman 14 point font. As permitted by Fed. R. App. 32(g), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.

August 28, 2019

By: /s/ Tami Lyn Azorsky

Tami Lyn Azorsky  
R. Tyler Goodwyn, IV  
John W. Lomas, Jr.  
DENTONS US LLP  
1900 K Street, N.W.  
Washington, DC 20006  
(202) 496-7183  
[tami.azorsky@dentons.com](mailto:tami.azorsky@dentons.com)  
[tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
[john.lomas@dentons.com](mailto:john.lomas@dentons.com)

*Attorneys for Defendant-Appellant  
ZURU Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that on this 28th day of August, 2019 the foregoing was filed with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the Court's CM/ECF system and thereby served on counsel for Appellees electronically.

August 28, 2019

By: /s/ Tami Lyn Azorsky

Tami Lyn Azorsky  
R. Tyler Goodwyn, IV  
John W. Lomas, Jr.  
DENTONS US LLP  
1900 K Street, N.W.  
Washington, DC 20006  
(202) 496-7183  
[tami.azorsky@dentons.com](mailto:tami.azorsky@dentons.com)  
[tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
[john.lomas@dentons.com](mailto:john.lomas@dentons.com)

*Attorneys for Defendant-Appellant  
ZURU Inc.*

# **Exhibit I**



BOSTON CONNECTICUT FLORIDA NEW JERSEY NEW YORK WASHINGTON, DC

**ELIZABETH A. ALQUIST**  
Attorney at Law

242 Trumbull Street  
Hartford, CT 06103  
T: (860) 275-0137 F: (860) 275-0343  
ealquist@daypitney.com

August 17, 2017

**VIA UPS & E-MAIL ([INFO@ZURU.COM](mailto:INFO@ZURU.COM))**

ZURU, Inc.  
Attn: Mat Mowbray, CEO  
1122 Capstan Drive  
Forked River, NJ 08731

Re: Infringement of the LEGO Group of Companies' Intellectual Property  
Client-Matter No: 704159-000070

Dear Mr. Mowbray:

We represent the LEGO Group of Companies including, but not limited to, LEGO A/S, LEGO System A/S, LEGO Systems, Inc. and LEGO Juris A/S (together, the "Company") in connection with intellectual property matters. We recently became aware of ZURU, Inc.'s ("ZURU") unauthorized and infringing use of the Company's trademarks and copyrights. Accordingly, the Company demands that ZURU immediately cease use of the Company's intellectual property.

As ZURU knows, the Company is a premier children's toy company that offers a wide array of products and services under the world-famous LEGO<sup>®</sup> trademark. The Company is also the owner of multiple copyrights, including Registration Numbers VA0000655230 and VA0000655104 in the U.S., and trademarks all over the word, including but not limited to Reg. Nos. 4903968 and 4520327 in the U.S. and Reg. Nos. 000050450 and 000050518 in the EU, embodied in and by the LEGO<sup>®</sup> Minifigure figurine. As you many know, the United Kingdom, Australia, and China (jurisdictions wherein Zuru has offices) are all signatories of the Berne Convention, and as such, copyrights held by citizens of all other parties to the convention (which includes the U.S.) must be recognized. The Company considers its intellectual property among its most valuable assets, and carefully monitors the use of its trademarks and copyrights by others to ensure that consumers can expect the highest level of goods and services for which the Company is known.

It has recently come to our attention that ZURU is making unauthorized use of the LEGO<sup>®</sup> word mark within paid advertisements for "Zuru Mayka LegoTape", as shown in



ZURU, Inc.  
August 17, 2017  
Page 2

**Exhibit A.** These advertisements were identified on Google.com and on the Wall Street Journal's website, [www.wsj.com](http://www.wsj.com), although it appears likely that these advertisements are also available for view on additional website. ZURU is also making use of the LEGO<sup>®</sup> Minifigure figurine on the ZURU Mayka Facebook page, located at <https://www.facebook.com/MaykaWorld/?fref=mentions>, as shown in **Exhibit B**.

Such use of the LEGO<sup>®</sup> word mark and the LEGO<sup>®</sup> Minifigure figurine, which appears to usurp Company-owned intellectual property and present it as ZURU's own, is likely to cause confusion or mistake as to the source, affiliation, endorsement, or connection between ZURU and the Company. Because it has no ability to control the quality of ZURU's goods and services, the Company's reputation is at risk of irreparable harm. As the owner of intellectual property itself, ZURU surely understands the importance of protecting one's intellectual property rights.

ZURU's use of the Company's intellectual property is in violation of federal statutes and common law prohibiting, *inter alia*, trademark infringement, copyright infringement, dilution, unfair competition, and false designation of origin. Available remedies for such activities can include injunctive relief, an award of defendant's profits, monetary damages, and all costs of legal action. To the extent that ZURU's acts are willful, the company could also be subject to enhanced damages.

In order to resolve these concerns amicably, the Company requires ZURU's full cooperation and compliance with the following:

1. Cease and desist from any and all use of the LEGO<sup>®</sup> word mark and LEGO<sup>®</sup> Minifigure figurine, including any names or figurines that are substantially similar to, or likely to cause confusion with the Company's trademarks and copyrights;
2. Undertake to remove all materials making infringing references to the LEGO<sup>®</sup> word mark and LEGO<sup>®</sup> Minifigure figurine from Facebook and all paid advertisements; and
3. Confirm compliance with the above in writing to the undersigned.

Please confirm by **August 31, 2017** that ZURU intends to comply with the Company's demands. Please contact me if ZURU has any questions or would like to discuss a swift resolution of this matter.

This letter is provided without prejudice to any claims or remedies the Company may have in connection with this matter whatsoever, all of which are expressly reserved. The Company reserves the right to take further action, without notice.



ZURU, Inc.  
August 17, 2017  
Page 3

Sincerely,

A handwritten signature in black ink, appearing to read 'Elis', with a small dot at the end.

Elizabeth A. Alquist

EAA/mjr  
Attachment

**ACKNOWLEDGED AND AGREED TO BY:**

**ZURU, Inc.**

**By:** \_\_\_\_\_

**Name:**

**Its:**

**Date**



ZURU, Inc.  
August 17, 2017  
Page 4

**EXHIBIT A**

**Zuru Mayka LegoTape - Build On Any Surface - maykaworld.com**

**Ad** [www.maykaworld.com/](http://www.maykaworld.com/) ▼

Shape, Cut & Stick. Non-Marking Flexible Tape Works with All Toy Blocks!

Original Patent Pending · Original Nimuno Loops · Toy Block Tape · Cut, Shape & Stick

You've visited maykaworld.com 4 times. Last visit: 2 days ago

(From Google.com)

ADVANCED SEARCH ▼

Sponsored Links

**Zuru Mayka LegoTape - Build On Any Surface - [www.maykaworld.com](http://www.maykaworld.com)**

Shape, Cut & Stick. Non-Marking Flexible Tape Works with All Toy Blocks!

(From WSJ.com)





ZURU, Inc.  
August 17, 2017  
Page 5

**EXHIBIT B**



# **Exhibit J**

Room 1202, 12F  
Energy Plaza,  
Grandville Road,  
TST East, Kowloon, Hong Kong



Tel: 852.3746.9003  
Fax: 852.3746.9005  
www.zuru.com

Sent by email: eaalquist@daypitney.com

**URGENT & CONFIDENTIAL, FRE 408**

DAY PITNEY LLP  
242 Trumbull Street  
Hartford, CT 06103

August 29, 2017

Dear Ms Alquist,

We are in receipt of your letter dated 17 August 2017 addressed to Mr Mowbray.

Without prejudice or any admission of liability we have taken the following actions to address your concerns:

- 1) We have amended our search copy to remove the phrase "Zuru Mayka Lego Tape" or any other combination that may suggest our tape comes from LEGO®
- 2) We have removed the May 9 2017 post from our MaykaWorld facebook page which you have identified in Exhibit B of your letter.

This matter and communications between the parties are confidential and shall not be disclosed to any third party unless compelled by law.

We trust that this resolves the matter. If you have any further concerns please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read "Nikki Kahn".

**Nikki Kahn**  
**In House Counsel**  
**Team ZURU**

Email: [nikki@zuru.com](mailto:nikki@zuru.com)  
Phone: +86 755 6688 1988 ext 3093

# **Exhibit K**

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF CONNECTICUT

LEGO A/S, LEGO SYSTEMS, Inc., and  
LEGO Juris A/S,

Plaintiffs,

v.

ZURU Inc.,

Defendant.

Civil Action No. 3:18-CV-2045 (AWT)

JURY TRIAL DEMANDED

JULY 22, 2019

**ZURU, INC.'S ANSWER AND COUNTERCLAIMS**

Defendant ZURU Inc. (“ZURU”), by and through its undersigned counsel, hereby answers Plaintiffs LEGO A/S (“LAS”), LEGO Systems, Inc. (“LSI”), and LEGO Juris A/S’s (“LJAS”) (collectively, “LEGO”) Verified Complaint.

**THE PARTIES**

1. ZURU admits the allegations of Paragraph 1.
2. ZURU admits the allegations of Paragraph 2.
3. ZURU admits the allegations of Paragraph 3.
4. ZURU admits that it is incorporated in the British Virgin Islands and that its principal place of business is located at 12 F Energy Plaza, Grandville Road, TST East, Kowloon, Hong Kong, S.A.R. ZURU denies that it does business in the State of Connecticut and denies any remaining allegations in Paragraph 4.

**JURISDICTION AND VENUE**

5. ZURU admits the allegations of Paragraph 5.

6. ZURU denies the allegations of Paragraph 6.

7. ZURU denies the allegations of Paragraph 7.

**FACTS**

8. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 8.

9. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 9.

10. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 10.

11. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 11.

12. ZURU denies the allegations of Paragraph 12.

13. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 13.

14. To the extent Paragraph 14 references certain copyrights registered with the United States Copyright Office, ZURU states that those registrations speak for themselves and respectfully refers the Court to those registrations for their full content and context. ZURU denies any remaining allegations in Paragraph 14.

15. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 15.

16. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 16.

17. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 17.

18. To the extent Paragraph 18 references certain trademarks registered with the United States Patent & Trademark Office (the “USPTO”), ZURU states that those registrations speak for themselves and respectfully refers the Court to those registrations for their full content and context. ZURU denies any remaining allegations in Paragraph 18.

19. The allegations in Paragraph 19 state legal conclusions or arguments to which no response is required. To the extent an answer is required, ZURU denies the allegations in Paragraph 19.

20. The allegations in Paragraph 20 state legal conclusions or arguments to which no response is required. To the extent an answer is required, ZURU denies the allegations in Paragraph 20.

21. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 21.

22. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 22.

23. ZURU denies the allegations of Paragraph 23.

24. To the extent Paragraph 24 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 24.

25. To the extent Paragraph 25 references certain websites, ZURU states that its webpages speak for themselves and respectfully refers the Court to those webpages for their full content and context. ZURU denies any remaining allegations in Paragraph 25.

26. To the extent Paragraph 26 references certain websites, ZURU states that its webpages speak for themselves and respectfully refers the Court to those webpages for their full content and context. ZURU denies any remaining allegations in Paragraph 26.

27. ZURU admits that Walmart sold certain ZURU products in certain of its retail locations. With respect to the remaining allegations in Paragraph 27, ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of those allegations.

28. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 28.

29. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 29.

30. To the extent Paragraph 30 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 30.

31. ZURU denies the allegations of Paragraph 31.

32. ZURU admits that on August 17, 2017, it received a letter from counsel for LEGO alleging that LEGO held certain intellectual property rights and alleging that ZURU was infringing upon those supposed rights. ZURU denies any remaining allegations in Paragraph 32.

33. ZURU denies the allegations of Paragraph 33.

34. The allegations in Paragraph 34 state legal conclusions or arguments to which no response is required. To the extent an answer is required, ZURU denies the allegations in Paragraph 34.



35. ZURU admits that it has no agreement with LEGO but denies LEGO's characterization of ZURU's products. ZURU denies any remaining allegations in Paragraph 35.

36. To the extent Paragraph 36 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 36.

37. To the extent Paragraph 37 references certain websites, ZURU states that its webpages speak for themselves and respectfully refers the Court to those webpages for their full content and context. ZURU denies any remaining allegations in Paragraph 37.

38. To the extent Paragraph 38 references the Mayka Website, ZURU states that its webpages speak for themselves and respectfully refers the Court to those webpages for their full content and context. ZURU denies any remaining allegations in Paragraph 38.

39. To the extent Paragraph 39 references the Mayka Website, ZURU states that its webpages speak for themselves and respectfully refers the Court to those webpages for their full content and context. ZURU denies any remaining allegations in Paragraph 39.

40. To the extent Paragraph 40 references online retailers' websites, ZURU states that its webpages speak for themselves and respectfully refers the Court to those webpages for their full content and context. ZURU denies any remaining allegations in Paragraph 40.

41. ZURU admits that Walmart and Target sell its products but denies LEGO's characterization of those products. With respect to the remaining allegations in Paragraph 41, ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of those allegations.

42. ZURU denies the allegations of Paragraph 42.

43. ZURU admits that it has no agreement with LEGO but denies LEGO's characterization of ZURU's products. ZURU denies any remaining allegations in Paragraph 43.

44. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 44.

45. ZURU states that LAS claims to own what it purports are valid patents, specifically U.S. Patent No. D701,923S, U.S. Patent No. D688,328S, U.S. Patent No. D641,053S, and U.S. Patent No. D614,707S, but ZURU denies that such patents remain in full force and effect. ZURU denies any remaining allegations in Paragraph 45.

46. ZURU denies that U.S. Patent No. D701,923S was duly and legally issued and denies any remaining allegations in Paragraph 46.

47. ZURU denies that U.S. Patent No. D688,328S was duly and legally issued and denies any remaining allegations in Paragraph 47.

48. ZURU denies that U.S. Patent No. D641,053S was duly and legally issued and denies any remaining allegations in Paragraph 48.

49. ZURU denies that U.S. Patent No. D614,707S was duly and legally issued and denies any remaining allegations in Paragraph 49.

50. ZURU denies the allegations of Paragraph 50.

51. To the extent Paragraph 51 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 51.

52. ZURU denies the allegations of Paragraph 52.

53. ZURU denies the allegations of Paragraph 53.

54. ZURU denies the allegations of Paragraph 54.

55. ZURU denies the allegations of Paragraph 55.

56. ZURU admits that it has no agreement with LEGO but denies LEGO's characterization of ZURU's products. ZURU denies any remaining allegations in Paragraph 56.

57. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 57.

58. ZURU states that LAS claims to own what it purports are valid copyrights protecting 3D sculpture and derivative works of its Friends figurine. To the extent Paragraph 58 references the deposit material maintained by the United States Copyright Office as part of LEGO's asserted copyrights, ZURU states that that deposit material speaks for itself and respectfully refers the Court to that deposit material for its full content and context. ZURU denies any remaining allegations in Paragraph 58.

59. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 59.

60. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 60.

61. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 61.

62. ZURU denies the allegations of Paragraph 62.

63. To the extent Paragraph 63 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies the remaining allegations in Paragraph 63.

64. ZURU states that Walmart.com and Amazon.com sell Mayka Toy Block Tape but denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 64.

65. ZURU denies the allegations of Paragraph 65.

66. ZURU admits that it has no agreement with LEGO but denies LEGO's characterization of ZURU's products. ZURU denies any remaining allegations in Paragraph 66.

67. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 67.

68. ZURU states that LJAS claims to own what it purports are valid trademarks registered with the USPTO, including Registration Numbers 2,273,314 and 2,273,321. ZURU denies the remaining allegations in Paragraph 68.

69. ZURU states that LJAS claims to own what it purports is a valid trademark registered with the USPTO, U.S. Registration Number 2,922,658. ZURU denies the remaining allegations in Paragraph 69.

70. The allegations in Paragraph 70 state legal conclusions or arguments to which no response is required. To the extent an answer is required, ZURU denies the allegations in Paragraph 70.

71. The allegations in Paragraph 71 state legal conclusions or arguments to which no response is required. To the extent an answer is required, ZURU denies the allegations in Paragraph 71.

72. The allegations in Paragraph 72 state legal conclusions or arguments to which no response is required. To the extent an answer is required, ZURU denies the allegations in Paragraph 72.

73. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 73.

74. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of paragraph 74.

75. ZURU denies the allegations of Paragraph 75.

76. To the extent Paragraph 76 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 76.

77. ZURU states that it uses the ZURU logo on its Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces), and Max Build More Base Plates. ZURU denies any remaining the allegations in Paragraph 77.

78. ZURU states that it uses the ZURU logo on its Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), and Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces). To the extent Paragraph 78 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 78.

79. To the extent Paragraph 79 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 79.

80. To the extent Paragraph 80 references a certain image, ZURU states that that image speaks for itself and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 80.

81. To the extent Paragraph 81 references a certain image, ZURU states that that image speaks for itself and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 81.

82. ZURU states that it uses the ZURU logo on its Max Build More Building Bricks Value Set (759 Bricks), Max Build More Building Bricks Value Set (253 Bricks), and the Max Build More Building Bricks Accessories and Wheels Value Set (250 Pieces). To the extent Paragraph 82 references a certain image, ZURU states that that image speaks for itself and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 82.

83. ZURU denies the allegations of Paragraph 83.

84. ZURU admits that it has no agreement with LEGO but denies the remaining allegations in Paragraph 84.

85. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 85.

86. ZURU admits that the colors red, yellow, black, and white are present in LEGO's logo and on some of LEGO's products. With respect to the remaining allegations in Paragraph 86, ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of those allegations.

87. ZURU denies knowledge or information sufficient to form a belief regarding the truth or falsity of the allegations of Paragraph 87.

88. ZURU denies the allegations of Paragraph 88.

89. The allegations in Paragraph 89 state legal conclusions or arguments to which no response is required. To the extent an answer is required, ZURU denies the allegations in Paragraph 89.

90. ZURU states that it uses the colors red, yellow, black, and white. ZURU denies the remaining allegations in Paragraph 90.

91. ZURU states that it uses the colors red, yellow, black, and white for its Max Build More and Mayka Toy Block Tape lines of construction toys and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 91.

92. ZURU states that it uses the colors red, yellow, black, and white for its Max Build More and Mayka Toy Block Tape lines of construction toys and denies any characterization thereof. To the extent Paragraph 92 references certain images, ZURU states that those images speak for themselves and denies any characterization thereof. ZURU denies any remaining allegations in Paragraph 92.

93. ZURU denies the allegations of Paragraph 93.

94. ZURU admits it has no agreement with LEGO but denies the remaining allegations in Paragraph 94.

## **COUNT I**

### **(Copyright Infringement of Minifigure figurine)**

95. ZURU repeats each of the foregoing responses as if fully set forth herein.

96. ZURU denies the allegations of Paragraph 96.

97. ZURU denies the allegations of Paragraph 97.

98. ZURU denies the allegations of Paragraph 98.

99. ZURU denies the allegations of Paragraph 99.

100. ZURU denies the allegations of Paragraph 100.

101. ZURU denies the allegations of Paragraph 101.

**COUNT II**

**(Trademark Infringement Under Section 32(a) of the Lanham Act, 15 U.S.C. § 1114(a))**

- 102. ZURU repeats each of the foregoing responses as if fully set forth herein.
- 103. ZURU denies the allegations of Paragraph 103.
- 104. ZURU denies the allegations of Paragraph 104.
- 105. ZURU denies the allegations of Paragraph 105.
- 106. ZURU denies the allegations of Paragraph 106.

**COUNT III**

**(Trademark Infringement, False Designation of Origin, and Unfair Competition Under**

**Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A))**

- 107. ZURU repeats each of the foregoing responses as if fully set forth herein.
- 108. ZURU denies the allegations of Paragraph 108.
- 109. ZURU denies the allegations of Paragraph 109.
- 110. ZURU denies the allegations of Paragraph 110.
- 111. ZURU denies the allegations of Paragraph 111.

**COUNT IV**

**(Common Law Trademark and Trade Dress Infringement, Unfair Competition, and**

**Misappropriation)**

- 112. ZURU repeats each of the foregoing responses as if fully set forth herein.
- 113. ZURU denies the allegations of Paragraph 113.
- 114. ZURU denies the allegations of Paragraph 114.
- 115. ZURU denies the allegations of Paragraph 115.
- 116. ZURU denies the allegations of Paragraph 116.



**COUNT V**

**(Copyright Infringement of Friends figurine)**

- 117. ZURU repeats each of the foregoing responses as if fully set forth herein.
- 118. ZURU denies the allegations of Paragraph 118.
- 119. ZURU denies the allegations of Paragraph 119.
- 120. ZURU denies the allegations of Paragraph 120.
- 121. ZURU denies the allegations of Paragraph 121.
- 122. ZURU denies the allegations of Paragraph 122.
- 123. ZURU denies the allegations of Paragraph 123.

**COUNT VI**

**(Infringement of Asserted Patents Under 35 U.S.C. §§ 271 and 289)**

- 124. ZURU repeats each of the foregoing responses as if fully set forth herein.
- 125. ZURU denies the allegations of Paragraph 125.
- 126. ZURU denies the allegations of Paragraph 126.
- 127. ZURU denies the allegations of Paragraph 127.
- 128. ZURU denies the allegations of Paragraph 128.
- 129. ZURU denies the allegations of Paragraph 129.

**COUNT VII**

**(Violation of the Connecticut Unfair Trade Practices Act)**

- 130. ZURU repeats each of the foregoing responses as if fully set forth herein.
- 131. ZURU denies the allegations of Paragraph 131.
- 132. ZURU denies the allegations of Paragraph 132.
- 133. ZURU denies the allegations of Paragraph 133.

134. ZURU denies the allegations of Paragraph 134.

135. ZURU denies the allegations of Paragraph 135.

136. ZURU denies the allegations of Paragraph 136.

**PRAYER FOR RELIEF:**

ZURU denies the allegations in LEGO's Prayer for Relief, and denies that LEGO is entitled to any relief.

**AFFIRMATIVE AND OTHER DEFENSES**

Without assuming any burden of proof, persuasion or production not otherwise legally assigned to it, ZURU asserts the following defenses. ZURU also reserves the right to amend this Answer to assert further defenses that become available and apparent through pretrial proceedings in this action.

**FIRST DEFENSE**

LEGO's minifigure copyrights, Registration Number VA0000655230 and VA0000655104 (collectively, the "Minifigure Copyrights"), are each invalid.

**SECOND DEFENSE**

ZURU does not infringe and has not infringed LEGO's Minifigure Copyrights.

**THIRD DEFENSE**

LEGO's minifigure trademark, Registration Number 4,903,968, is invalid.

**FOURTH DEFENSE**

ZURU does not infringe and has not infringed LEGO's minifigure trademark.

**FIFTH DEFENSE**

LEGO's "stud" trademarks, Registration Numbers 2,273,314, 2,273,321, and 2,922,658 (collectively, the "Stud Trademarks"), are each invalid.

**SIXTH DEFENSE**

ZURU does not infringe and has not infringed LEGO's Stud Trademarks.

**SEVENTH DEFENSE**

LEGO's color scheme trade dress, allegedly consisting of the colors red, yellow, black, and white (the "Color Scheme Trade Dress"), is invalid.

**EIGHTH DEFENSE**

ZURU does not infringe and has not infringed LEGO's Color Scheme Trade Dress.

**NINTH DEFENSE**

LEGO's friends figurine copyrights, including Registration Numbers VA 1-876-291, VA 1-876-279, VA 1-876-378, and VA 1-876-373 (collectively, the "Friends Figurine Copyrights"), are each invalid.

**TENTH DEFENSE**

ZURU does not infringe and has not infringed LEGO's Friends Figurine Copyrights.

**ELEVENTH DEFENSE**

LEGO's asserted design patents, the '923 patent, the '328 patent, '053 patent, and/or the '707 patent (collectively, the "Asserted Design Patents"), are each invalid under the Patent Act, 35 U.S.C. § 101 et seq., including, but not limited to, Sections 102, 103, and/or 171.

**TWELFTH DEFENSE**

ZURU does not infringe and has not infringed LEGO's Asserted Design Patents.

**THIRTEENTH DEFENSE**

LEGO's claim for damages, if any, against ZURU for alleged infringement of the Asserted Design Patents is limited in whole or in part by 35 U.S.C. §§ 286, 287 and/or 288.

**FOURTEENTH DEFENSE**

LEGO has failed to state a claim upon which relief can be granted.

**FIFTEENTH DEFENSE**

LEGO's claims are barred by the doctrines of waiver, ratification, acquiescence, laches, unclean hands, and estoppel.

**SIXTEENTH DEFENSE**

LEGO's claims are barred, in whole or in part, to the extent LEGO failed to take steps to mitigate its alleged damages.

WHEREFORE, for the foregoing reasons, ZURU denies liability and requests judgment:

- a. Dismissing the Verified Complaint;
- b. Awarding ZURU its costs of suit, including attorneys' fees, incurred in defending this action; and
- c. Awarding ZURU such other and further relief as the Court deems just and proper.

**ZURU INC.'S COUNTERCLAIMS**

1. ZURU Inc. ("ZURU") is a family-owned toy and consumer products company founded in Cambridge, New Zealand in 2004. ZURU is one of the fastest growing toy brands in the world and is known for its agility, creativity, and new-age manufacturing techniques.

2. ZURU designs, manufactures, markets, and sells innovative toys and consumer products. ZURU produces high quality products marketed to economically disadvantaged consumers, including construction toy products such as MAX Build More and MAYKA products.

3. LEGO A/S ("LAS"), LEGO Systems, Inc. ("LSI"), and LEGO Juris A/S's ("LJAS") (collectively, "LEGO") is the largest construction toy company in the world,

generating billions of dollars a year in revenue, that is many times larger than the second largest construction toy company. LEGO also commands a much higher retail price for its construction toy products than competing companies.

4. LEGO has improperly obtained putative intellectual property rights directed to construction toy products and has wrongly asserted these rights against smaller construction toy companies to eliminate competition.

5. By this action, ZURU seeks to stop LEGO's attempts to improperly extend its intellectual property rights, and to maintain healthy competition in the construction toy market, especially for high-quality, lower cost products.

#### **PARTIES**

6. Counter-Claimant ZURU Inc. is a British Virgin Islands corporation with its principal place of business located at 12 F Energy Plaza, Grandville Road, TST East, Kowloon, Hong Kong, S.A.R.

7. On information and belief, Counter-Defendant LAS is a private company with a place of business located at Aastvej 1, Dk-7190, Billund, Denmark.

8. On information and belief, Counter-Defendant LJAS is a private company with a place of business located at Koldingvej 2, Dk-7190, Billund, Denmark.

9. On information and belief, Counter-Defendant LSI is a Delaware corporation having its principal place of business at 555 Taylor Road, Enfield, CT 06082.

#### **JURISDICTION AND VENUE**

10. This countersuit seeks a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202.

11. An actual controversy exists between the parties regarding LEGO's copyrights, trademarks, trade dress, and design patents referenced in these Counterclaims.

12. This Court has subject matter jurisdiction over this matter pursuant to 15 U.S.C. §§ 2, 15(a), 26, 1121, 28 U.S.C. §§ 1331, 1338(a) and (b), 1367, 2201, and 2202.

13. This Court has personal jurisdiction over LEGO by virtue of LEGO's actions directed toward transacting business in this District, and because LEGO's actions giving rise to this matter were directed at this District and caused injury to ZURU in this District.

14. Over ZURU's objection, this Court has determined that venue is proper in this Court pursuant to 28 U.S.C. § 1391.

## **BACKGROUND**

### **ZURU is an Industry-Recognized Toy Innovator**

15. ZURU has partnerships with entertainment properties, including Nickelodeon, Disney, Universal Studios, and DreamWorks; and has successfully built its own global brands such as Bunch O Balloons™, X-Shot™, Robo Alive™, MAYKA™, Fidget Cube™, Rainbocorns™, Smashers™, 5 Surprise™, and Metal Machines™.

16. ZURU has been recognized by the toy industry for its innovative products with recent awards and recognition, including the following:

- 2018 Toy of the Year ("TOTY") award in the Active/Outdoor Toy category for the company's Bunch O Balloons™ Filler Soaker;
- 2017 TOTY award in the Active/Outdoor Toy category for Bunch O Balloons™;
- The NPD Group, Inc.'s ("NPD") Top Selling toy awards in 2018 for Fidget Cube™ in the All Other Toys super category;

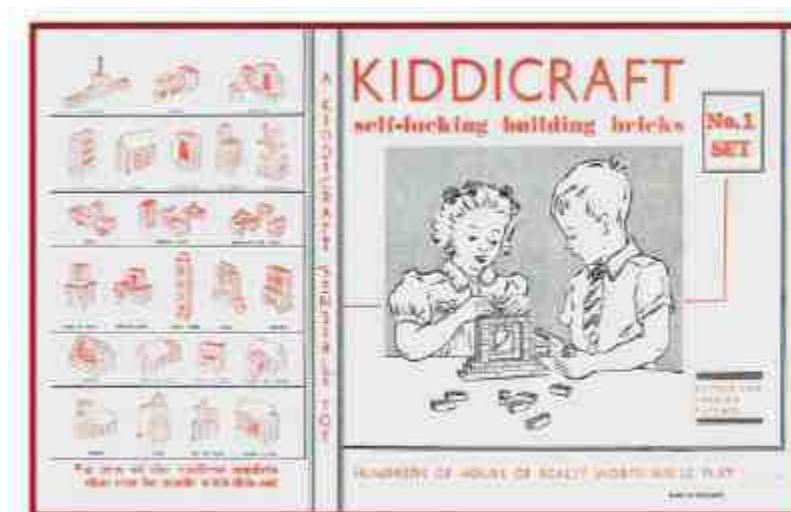
- NPD's Top Selling award for Bunch O Balloons™ in the Outdoor & Sports Toys super category;
- 2018 Mums Choice Award for Robo Alive™ Dino;
- 2018 MadeforMums Award for Rainbocorns™;
- 2018 Independent Toy Awards for Smashers™;
- 2018 Independent Toy Award for Rainbocorns™; and
- 2017 Toy & Hobby Industry for MAYKA Toy Block Tape.

17. ZURU has flourished from its small beginnings in Cambridge, New Zealand and now employs more than 400 staff, has 13 offices worldwide, produces 400,000 toys a day, and supplies most major retailers in 121 countries.

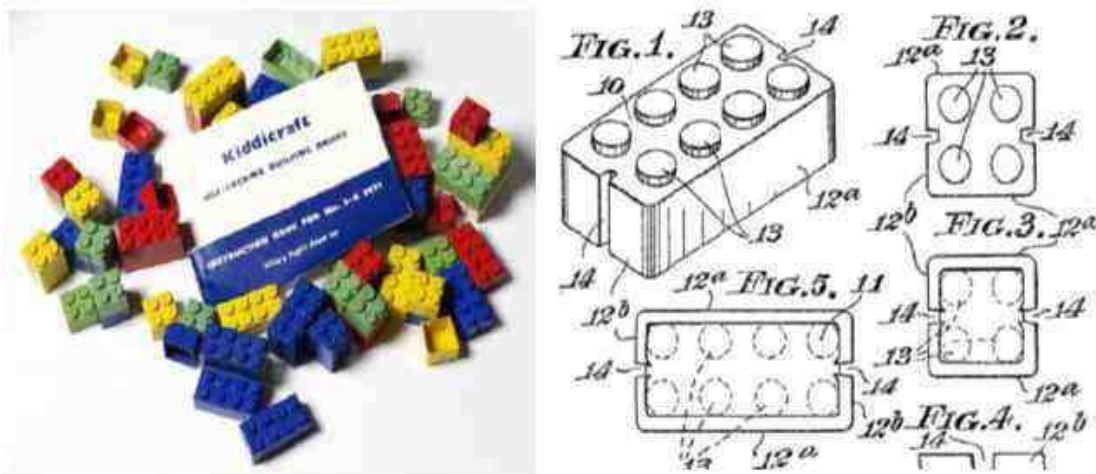
**The Long History of Construction Toys with Cylindrical Studs**

18. LEGO contends that it launched toys with cylindrical studs in 1958. Before its launch by LEGO, cylindrical studs were used as a functional element on toy construction bricks developed by Hilary "Harry" Fisher Page of KIDDICRAFT (a company in the United Kingdom) in the 1940s.

19. A box cover of the KIDDICRAFT product is shown below:



20. The photograph, below left shows the KIDDICRAFT bricks with cylindrical studs on each brick. Mr. Page was granted patent protection for the brick in the UK, France, and elsewhere. Figures from Mr. Page's UK Patent No. 633,055, which Mr. Page applied for in 1945, are shown below right.



21. LEGO created a product almost identical to the KIDDICRAFT product configuration in a jurisdiction (Denmark) where there was no active patent protection. LEGO further modified the brick in the 1950s by adding “tubes” or secondary projections in the hollow cavity of the brick. LEGO was granted patent rights in the modified brick until the patents expired in the 1980s.

22. More recently, other toy manufacturers have offered construction bricks with cylindrical studs as a key functional component in their respective toy systems. These competitor products include MEGA BLOKS (acquired by Mattel), KRE-O (acquired by Hasbro), BLOCKTECH, BRICTEC, BLOKKO, and others (“Competitor Bricks”).

23. LEGO, ZURU, and Competitor Bricks make use of cylindrical and/or circular studs as a functional feature to ensure the interlocking of bricks, as well as on figurines to ensure not only interlocking with other pieces, but to affix accessories such as hair pieces and helmets.



Furthermore, the circular/cylindrical shape of the studs is functional in several respects, including but not limited to: allowing for the swiveling or slight adjustment of interlocked bricks and pieces without disturbing the interlocking of the bricks; and ensuring that there are no hard edges on the studs that could hurt children. The circular studs also require less material than alternatives, and provide more uniform and stronger interlocking than various other, more complicated or more easily damaged shapes.

24. Other aspects of LEGO figurines are also functional. Hand pieces of the figurines function to hold other accessories, such as toy swords or other accessories. Other such features **include but are not limited to:** flat feet, allowing for more stable standing and interlocking; flat torsos, allowing for other pieces to be put in front of or behind figurines; the rotating connection between legs and torso, allowing legs to be moved more easily; and others.

**LEGO's Past Efforts to Improperly Extend its Construction Toy Monopoly**

25. Subsequent to the expiration of its brick patents, LEGO has sought to maintain its monopoly, stifle competition, maintain high prices, and eliminate customer choices by improperly asserting other alleged intellectual property rights, including trademarks, trade dress, copyrights, and design patents.

26. In one of the first actions in which LEGO sought trademark protection for its brick design, *Tyco Industries, Inc. v. LEGO Systems, Inc.*, 5 U.S.P.Q.2d (D.N.J. 1987), the court (Judge Brown) found that the LEGO block is “wholly functional” and denied trademark protection on that basis.

27. The Tyco court specifically referenced the functionality of the cylindrical studs on the brick surface in cooperation with the tubes on the bottom of the brick.

28. LEGO also sought to limit competition in other suits filed in the United States asserting patent, trademark, and copyright claims against construction toy companies, including Best-Lock Construction Toys, Inc. and Mega Brands, Inc.

29. Courts outside the United States have also held that LEGO cannot maintain a monopoly on a previously-patented brick feature under the guise of trademark law.

30. LEGO has failed in its efforts to claim exclusive rights to the functional cylindrical stud element in various actions around the world. In fact, LEGO has taken contradictory positions in relation to its intellectual property, for example claiming stud elements on figurines as purely nonfunctional aesthetic elements within trademark and copyright applications, despite their functionality and despite LEGO claiming them as functional elements in patent applications.

31. For example, in U.S. Patent Number 9,149,733, issued October 6, 2015 (“the ‘733 Patent”), LEGO claimed bricks with “coupling stud[s] having a continuous abutment face shaped as a cylinder,” and a claim in which coupling studs are “essentially circular.” For an element to be protectable under a utility patent, it must be functional. Therefore, LEGO claimed in the ‘733 Patent that cylindrical and/or circular studs are functional. Exhibit 1.

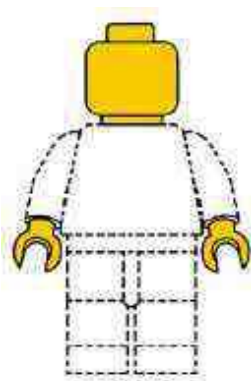
32. However, in copyright filings, including those cited by LEGO in its Verified Complaint, LEGO contended these same cylindrical and/or circular studs were nonfunctional aesthetic elements. For example, Copyright Registration Numbers VA0000655230 (registered in 1994) (Exhibit 2), VA0000655104 (registered in 1994) (Exhibit 3), VA 1-876-291 (registered in 2013) (Exhibit 4), VA 1-876-279 (registered in 2013) (Exhibit 5), VA 1-876-378 (registered in 2013) (Exhibit 6), VA 1-876-373 (registered in 2013) (Exhibit 7) (“Cited Copyright Registrations”), cited by LEGO in its complaint, include complete LEGO Minifigures or

Figurines, with no aspects of the Minifigure or Figurine disclaimed as nonfunctional, including the cylindrical and/or circular stud on top of the Minifigure's and Figurine's head. Copyright claims may not include such functional aspects.

33. Furthermore, in trademark filings, including those cited by LEGO in its complaint, LEGO included as nonfunctional features these same cylindrical and/or circular studs. For example, Trademark Registration Number 4,903,968 (filed February 17, 2015; published December 8, 2015; registered February 23, 2016) (Exhibit 8) ("Minifigure Trademark"), cited by LEGO in its complaint, includes a complete LEGO Minifigure, with no aspects of the Minifigure disclaimed as functional, including the cylindrical and/or circular stud on top of the Minifigure's head. Trade dress claims may not include functional aspects.

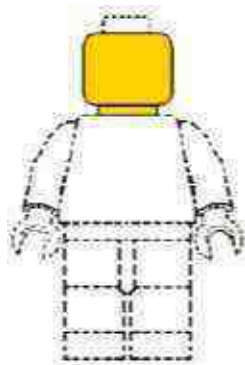
34. In each of these successive intellectual property applications, LEGO was under an obligation to reveal the true nature of its products and any contradictory positions that it or any governmental agency had previously taken. In its '733 Patent application, LEGO should have revealed that it owned numerous copyright registrations that claimed studs as a non-functional feature of the copyrighted material. In its Minifigure Trademark application, LEGO should have revealed that its '733 Patent claimed the studs as a functional feature of the patented material. Importantly, the '733 Patent issued *while* the Minifigure Trademark application was pending and under review—LEGO had no excuse not to inform the trademark examiner for the Minifigure Trademark application of this new development. Instead, LEGO continued to make whatever statements were calculated to secure intellectual property protection in any given instance to a particular governmental agency, including making contradictory claims as to the functionality of its studs.

35. Furthermore, even among its various trademark applications, LEGO took contradictory positions as to functionality of various parts. In the application for Trademark Registration 4,520,327 (application filed April 5, 2013; registration April 29, 2014) (“the ‘327 Trademark”) (Exhibit 9), LEGO originally claimed the hands and the stud on the head within its trademark application, as shown by the lack of dotted lines in the drawing of the figurine. This indicates a claim that these elements are non-functional.



‘327 Trademark Original Claim Drawing

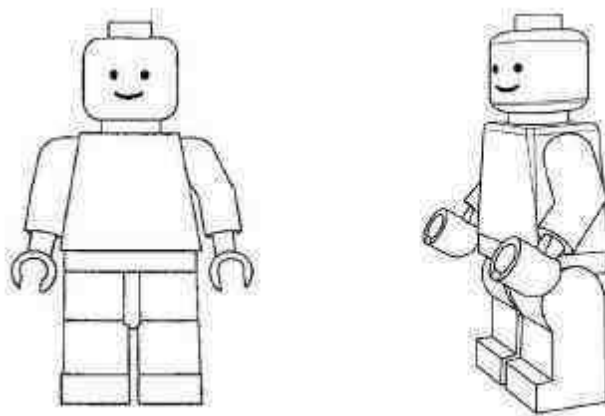
36. When the trademark examiner indicated that the hands and the stud on the head were functional and therefore not subject to trademark protection, LEGO responded by specifically disclaiming those aspects, stating, “Elements in the original drawing that you indicated might be functional—the cylindrical stud on the top of the figure’s head and the hands—are no longer shown in yellow in the amended drawing and are now shown in dotted lines.”



‘327 Trademark Amended Claim Drawing

37. Therefore, LEGO admitted in the prosecution of the ‘327 Trademark application the functionality of the stud on top of the head, the hand grips, the torso, and the feet, as shown by dotted lines in the final drawing.

38. Yet the Minifigure Trademark application, filed less than a year after the ‘327 Trademark issued, claimed the complete minifigure, including the stud on top of the head, the hand grips, the torso, and the feet, with no aspects admitted as functional or shown in dotted lines.



‘968 Trademark Original and Amended Drawings

39. In each of these successive trademark applications, LEGO was under an obligation to reveal any contradictory positions it or the PTO had previously taken. In its Minifigure Trademark application that claimed the complete minifigure as nonfunctional, LEGO

should have revealed that it had previously disclaimed many aspects of the Minifigure as functional in its '327 Trademark and that the PTO had already determined that such elements were functional. Instead, LEGO continued to make contradictory claims as to functionality in order to improperly obtain intellectual property protection to which it was not entitled.

40. It is indisputable, as shown in filings and agency and court decisions described herein, that LEGO did in fact take purposefully inconsistent positions at various time, showing willful and intentional conduct beyond simply a failure to disclose.

41. Furthermore, the applications on the Cited Copyright Registrations include a wide variety of other obviously functional aspects, including but not limited to the stud on top of the head, the hand grips, a torso with flat sides and a flat back, and flat square feet, all of which are functional. Many of these same features were also disclaimed by LEGO as functional in one of its trademark applications previously cited.

42. Despite LEGO's aggressive prosecution and litigation tactics, for at least 20 years, courts in other countries have repeatedly rejected LEGO's efforts to claim exclusive rights to the functional elements of its building blocks.

43. Specifically, LEGO has attempted—without success—to assert exclusive rights to its cylindrical studs in France, Canada, Germany, the Netherlands, and Italy.

44. LEGO's Community trademark registration for the shape of the 2x4 brick, which features 8 studs, was cancelled by Europe's highest court (the Court of Justice of the European Union) in a judgment dated September 14, 2010 specifically on the basis of the functionality of the studs. LEGO's trademark claims were also dismissed by the Supreme Court of Canada in 2005, the Supreme Court of France in 1999, the Supreme Court of Germany in 2009, the Supreme Court of Italy in 2008, and the Supreme Court of the Netherlands in 2009.

**ZURU's Introduction of MAX Build More Products**

45. In 2018, decades after LEGO's modified brick patents expired, ZURU entered the construction toy market. ZURU developed its own range of construction bricks, which it sold in sets under its MAX Build More name with a large stylized "MAX" in bold white lettering together with the "ZURU" name and colors (yellow lettering with a black outline) superimposed over a generic and functional red brick outline. This tracks ZURU's longstanding corporate logo, depicting a stylized "ZURU" in yellow lettering superimposed over a solid red square, which has been in use since ZURU's founding back in New Zealand in 2004.

46. In 2018, ZURU also developed its own distinctive line of figurines to be compatible with its own MAX Build More construction bricks and other generic bricks, including LEGO bricks and Competitor Bricks. Many other toy companies and brands (including MEGA BLOKS, KRE-O, BLOCKTECH, BRICTEC, and BLOKKO) have offered their own similar figurines for use in construction play and as collectibles. The following chart shows examples of these brands along with ZURU's initial MAX figurines and LEGO's figurines.





Decoration,” and LEGO’s Registration No. VA0000655104 claims an entirely non-functional sculpture (work of art), not a toy with many functional features. Copies of the deposit materials maintained by the United States Copyright Office as part of the Minifigure Copyrights are attached as Exhibits 2 and 3 respectively.

48. On information and belief, LJAS owns the following trademark registered with the USPTO: Registration No. 4,903,968 (“Minifigure Trademark”) Exhibit 8.

49. LEGO contends that it has common law trademark rights (“Common Law Minifigure Trademark”) in the Minifigure.

50. LEGO contends ZURU’s figurines in its MAX Build More 15 MAX Figures sets (“Accused Figurines”) infringe the Minifigure Copyrights and Trademarks. The Accused Figurines are not confusingly, strikingly, or substantially similar to the LEGO Minifigure figurine. A representative illustration is set forth in Exhibit 10.

51. The design of the Accused Figurines was modified by ZURU (“Redesigned Figurines”). The Redesigned Figurines are not confusingly, strikingly, or substantially similar to the LEGO Minifigure figurine. A representative illustration is set forth in Exhibit 11.

52. Neither the Accused Figurines or the Redesigned Figurines are substantially or strikingly similar to the overall look and feel of the LEGO Minifigure Copyrights.

53. Neither the Accused Figurines or the Redesigned Figurines are confusingly, substantially, or strikingly similar to the Minifigure Trademark or Common Law Minifigure Trademark.

54. LEGO contends that product packaging for the MAX Build More and MAYKA Block Tape lines of toys display images (“Accused Images”) that are confusingly similar to the LEGO Minifigure figurine.

55. LEGO contends that the Accused Images are substantially similar to the overall look and feel of the Minifigure figurine.

56. LEGO contends that the Accused Images appear on product packaging for the following specific products:

- MAX Build More 15 MAX Figures;
- MAX Build More Bricks Value Sets (250);
- MAX Build More Bricks Value Sets (253);
- MAX Build More Bricks Value Sets (759);
- MAX Build More Base Plate; and
- MAYKA Toy Block Tape.

Representative illustrations of the Accused Images are included at Exhibit 12.

57. The designs of the Accused Images were modified by ZURU (“Redesigned Images”). Representative illustrations of the Redesigned Images are included at Exhibit 13.

58. Neither the Accused Images or Redesigned Images are substantially similar to the overall look and feel of the Minifigure figurine. In fact, ZURU is aware of only three instances of possible confusion between any of ZURU’s products and LEGO’s products, out of thousands of social and digital media posts. Furthermore, LEGO, with an even larger social media operation than ZURU, has not submitted evidence nor even alleged any instances of actual confusion, despite having cited several social media posts in the Connecticut Lawsuit. This lack of actual confusion despite the sales of ZURU’s products is not surprising, in light of the other factors, discussed herein, that prevent confusion or reveal a lack of likelihood of confusion.

59. ZURU’s packaging is also not confusingly similar to that of LEGO, because, among other reasons, the ZURU house mark and logo are displayed prominently throughout

ZURU's packaging on ZURU products. It is immediately clear to any consumer that these products come from ZURU, not LEGO.

60. In copyright applications including VA0000655104, LEGO Minifigure figurines were characterized as sculptures (non-functional works of art), which may have led the Copyright Office to analyze them under a different standard from construction toys with many functional elements. If these copyright applications had been properly characterized as construction toys rather than as works of art, many functional aspects of the toys may not have been accepted by the Copyright Office as copyrightable, whether LEGO intended this outcome or not. Copyrights including VA0000655104 may therefore be invalid in whole or in part.

61. Many of the aspects of the LEGO Minifigure figurines are functional, and are therefore not proper material for copyright or trademark/trade dress protection. LEGO's failure to disclose this functionality to the USPTO or Copyright Office, is grounds for full or partial invalidation of the copyrights and trademarks.

62. LEGO failed to inform the USPTO of previous inconsistent positions taken by LEGO, as discussed above, in relation to functionality and characteristics of its Minifigures. LEGO instead told the USPTO what was necessary in each instance to obtain the desired protection at the time, regardless of contradictions or inconsistencies as compared with its previous filings, as discussed above. This is grounds for full or partial invalidation of the copyrights and trademarks. LEGO also failed to disclose that other government agencies and courts had taken positions contradictory to those asserted by LEGO.

63. Protectable trade dress requires a specific list of features, which, when combined, act as a source identifier. LEGO Minifigure figurines are highly customizable, and can be mixed and matched, such that the overall appearance of figurines is highly variable and inconsistent.

The LEGO Minifigure figurines are therefore not protectable in any single appearance under trademark law.

64. Moreover, because of the widely variable nature of LEGO's figurines, the versions of Minifigure figurines that are found in LEGO's copyright registrations do not cover all embodiments actually used by LEGO, and do not cover any figurines that have been shown or used by ZURU.

65. Furthermore, LEGO Minifigures are sold in unassembled parts, so that the parts can be interchanged and not every permutation is displayed in LEGO's packaging or advertising materials. Therefore, when consumers make purchasing decisions about LEGO Minifigures, they may not be making purchasing decisions based on any particular embodiment that could possibly entail intellectual property protection for LEGO.

66. Furthermore, lists of features in LEGO's trademark registrations are legally insufficient to describe protectable trade dress. Even if the trademarks list a combination of features, ZURU's Accused Figurines and Redesigned Figurines are all different from what is shown in the trademark registrations.

67. Furthermore, the list of protectable elements in the LEGO trademark registrations and in any LEGO common law trade dress rights are not infringed by ZURU's Accused Images or Redesigned Images. ZURU's Accused Images and Redesigned Images are sufficiently different from any arguable list of features of the LEGO Minifigure figurines.

68. The features at issue for the LEGO Minifigure figurines have not acquired secondary meaning or acquired distinctiveness for purposes of trademark protection, and do not function as source identifiers. LEGO failed to adequately prove such acquired distinctiveness, and multiple competitor third parties use similar design elements. LEGO voluntarily admitted

this during the prosecution of its trademark registration 4,520,327, and further identified the yellow head of the Minifigurine (not at issue here) as the distinguishing feature between its Minifigurines and competitors' figurines. LEGO therefore holds no trademark rights in its Minifigure figurines, and the corresponding trademark registrations should be invalidated in whole or in part.

69. The aspects of ZURU's Accused Figurines or Accused Images that LEGO claims are infringing on LEGO's intellectual property do not serve a trademark function as a source identifier. Such aspects of ZURU's Accused Figurines, Redesigned Figurines, Accused Images and Redesigned Images are completely or largely functional or merely decorative, and therefore do not infringe any trade dress rights, if any, that LEGO might have.

70. There are numerous competitors of ZURU and LEGO who already provide a large number of similar figurines, as shown in the graphic above, who apparently have been able to coexist with LEGO on the market with little or no source confusion. This shows both lack of distinctiveness in the LEGO Minifigures, and lack of confusing similarity in other figurines, like ZURU's. In fact, LEGO itself argued during the prosecution of its trademark registration 4,520,327 that other brands of figurines were different enough from LEGO's that LEGO should obtain trademark protection in its Minifigures. Examples of competing figurines cited by LEGO during prosecution include the following:

BEST LOCK

MEGA BRANDS



Images of Competing Figurines Cited by LEGO

Yet ZURU's figurines are just as different from LEGO's, if not more so, than these other cited competitors.

71. Through its overly broad copyrights and trademark claims, LEGO is seeking to improperly stop ZURU from fairly competing and to obtain a monopoly on the overall concept of construction toy figures and figurines. LEGO is not claiming the kind of limited and narrow protection for specific embodiments or features as the law may allow, but has claimed improperly broad protection that is far beyond the purpose and scope of copyright and trademark law, and is therefore not enforceable or valid, in whole or in part. LEGO appears to have done this, at least in part, to improperly attempt to extend its previously expired intellectual property rights. Importantly, LEGO's attempts to stop ZURU from providing representations of ZURU's figurines and bricks on its packaging and advertising are attempts to prevent ZURU from accurately providing and identifying its own products and their features to consumers who are interested in ZURU's high quality, lower cost alternative to LEGO construction toys. This is a gross anticompetitive abuse of intellectual property laws, and an unlawful attempt to prevent fair

competition, with the end result that only LEGO would be able to effectively display its products to consumers on packaging and advertising materials.

72. LEGO appears to have avoided filing many applications on its claimed Minifigure trademarks, and is relying heavily on common law rights, apparently because the trademark applications would have been woefully deficient, and would have created a strong record of the many deficiencies in LEGO's claimed trademark rights, along the lines described above. This is in contrast to LEGO's typically aggressive practice of filing for large numbers of intellectual property protections worldwide, including hundreds of publicly visible trademark applications, copyrights, and patents, in the United States alone.

**LEGO's FRIENDS Figurine Copyright Claims**

73. LAS claims to own the following copyrights registered with the United States Copyright Office: Registration Nos. VA 1-876-291, VA 1-876-279, VA 1-876-378, and VA 1-876-373 (collectively the "Friends Copyrights"). Copies of the deposit materials maintained by the United States Copyright Office as part of the Friends Copyrights are attached as Exhibits 4, 5, 6, and 7, respectively.

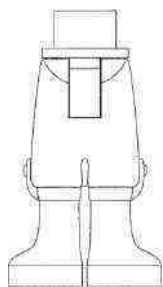
74. LEGO contends that ZURU uses an image ("Accused Friends Image") (Exhibit 14) on product packaging for its MAYKA Toy Block Tape that is strikingly and substantially similar to the overall look and feel of the Friends Copyrights. The Accused Friends Image is not strikingly or substantially similar to the overall look and feel of the Friends Copyrights. Regardless, the design of the product packaging for ZURU's MAYKA Toy Block Tape was modified without including the Accused Friends Image. Exhibit 15.

75. In copyright applications, LEGO Friends figurines were characterized as sculptures, which may have led the copyright office to analyze them under a different standard

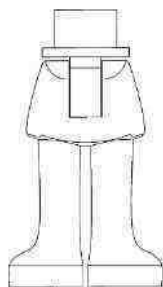
from construction toys with many functional elements. If these copyright applications had been properly characterized as construction toys rather than as works of art, many functional aspects of the toys may not have been accepted by the Copyright Office as copyrightable, whether LEGO intended this outcome or not. LEGO Friends Copyrights may therefore be invalid, either in whole or in part.

76. Many aspects of the LEGO Friends figurines are functional, and are therefore not proper material for copyright or trade dress protection. LEGO's failure to disclose this functionality to the Copyright Office are grounds for full or partial invalidation of the Friends copyrights. In actuality, LEGO provided whatever was necessary in each instance to obtain the desired protection at the time, regardless of contradictions or inconsistencies.

77. LEGO Friends figurines are customizable, and can be mixed and matched, such that the overall appearance of figurines is variable and inconsistent, and therefore not protectable in any single appearance under copyright law. Because of this, while specific elements of the versions of Friends figurines may be subject to copyright protection, the Friends Copyrights cover only certain nonfunctional elements, do not cover all embodiments actually used by LEGO, and do not cover any figurines sold by ZURU. LEGO recognized that, at best, only certain features of Friends figurines may be protectable (and not the entire figurine) and sought design patent protection on identical features in the asserted Friends copyrights.



D672,412  
[CR VA 1-876-291]



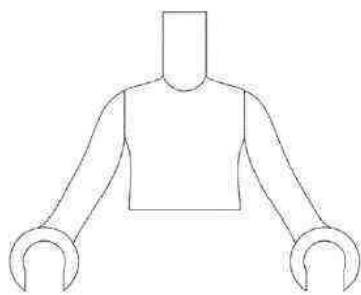
D678,432  
[CR VA 1-876-378]



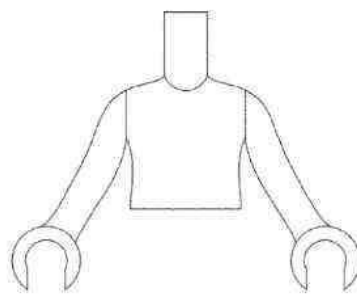
D672,411  
[CR VA 1-876-373]



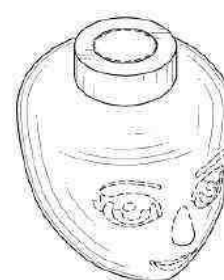
Here again, LEGO sought protection of functional elements, such as locking features of feet and torso. Likewise, as LEGO failed to disclose admitted functional elements in its trademark applications, discussed above, LEGO again sought an improper scope of rights and claimed functional elements in its design patents, e.g., hands and stud on Friends figurine head.



D682,367



D689,567



D672,411

These design patents are directed to identical features as in the Asserted Friends copyrights and show that LEGO improperly seeks to claim copyright and design patent protection of functional elements and to enforce those overly broad rights against competitors.

78. Importantly, LEGO's attempts to stop ZURU from displaying representations of ZURU's figurines on its packaging or advertising materials are attempts to claim non-existent intellectual property rights, which unlawfully prevent ZURU from accurately identifying its own products and their features to consumers who are interested in ZURU's low-cost alternative to LEGO construction toys. This is a gross anticompetitive abuse of intellectual property laws, and an unlawful attempt to prevent fair competition, with the end result that only LEGO would be able to effectively display its products to consumers on packaging and advertising.

79. Through its overly broad copyright claims on the complete concept of construction toy figures and figurines, LEGO has not obtained the kind of limited and narrow protection for specific embodiments or specific features of its toys which may be arguably permissible. Instead, LEGO has claimed improperly broad protection that is far beyond the

purpose and scope of copyright law, and is therefore not enforceable or valid in whole or in part. LEGO appears to have done this, at least in part, to improperly attempt to extend its previously expired intellectual property rights.

### **LEGO's Stud Trademark Claims**

80. LJAS claims to own the following trademarks registered with the USPTO: Registration Nos. 2,273,314; 2,273,321; and 2,922,658 (collectively the "Stud Trademarks"). Copies of the respective Registration Certificates are attached as Exhibits 16, 17, and 18, respectively. The Stud Trademarks pertain to one color-specific two-dimensional visual representation of a brick with studs, a two-dimensional representation of four studs on packaging, and to the use of three-dimensional studs on the lid of a LEGO container. LEGO has not claimed trademark, trade dress, or copyright protection as to studs on bricks themselves, as studs perform a functional purpose on bricks themselves, a fact which LEGO has conceded.

81. LEGO contends that ZURU uses cylindrical protrusions and construction bricks as source identifiers that it contends are confusingly similar to LEGO's Stud Trademarks. Specifically, LEGO alleges that the following elements on ZURU's packaging ("Accused Packaging") are likely to cause consumer confusion with LEGO's Stud Trademarks:

- ZURU's display of a two-dimensional image of a three "stud" construction brick in its MAX Build More logo used in connection with MAX Build More sets of construction toys and base plates;
- ZURU's display of an actual sample of an eight-stud toy construction brick encased in transparent plastic attached to the packaging of MAX Build More Building Brick sets;

- ZURU’s display of a two-dimensional image showing a repeating stud pattern on the packaging of MAX Build More and MAYKA Toy Block Tape lines of construction toys;
- ZURU’s display of a two-dimensional image of lettering with cylindrical protrusions in its MAYKA logo;
- ZURU’s display of a two-dimensional image of a four stud brick on the packaging of its MAX Build More Figures; and
- ZURU’s use of a three-dimensional repeating stud pattern on the container lids of MAX Build More Building Brick sets.

Representative images of ZURU’s Accused Packaging are included at Exhibit 19.

82. The design of Accused Packaging was modified by ZURU (“Redesigned Packaging”). Representative images of the Redesigned Packaging are included at Exhibit 20.

83. As required by the USPTO, each feature of the claimed trade dress rights in LEGO’s product packaging must have acquired distinctiveness. LEGO’s aforesaid claimed trade dress rights in the LEGO Stud Trademarks do not have acquired distinctiveness, and do not function as source identifiers. LEGO failed to adequately prove such acquired distinctiveness, and multiple third parties use similar design elements. Any claimed trade dress rights in LEGO’s Stud Trademarks are therefore fully or partially invalid.

84. LEGO’s Stud Trademarks are functional, and are therefore fully or partially invalid, because the studs on lids and packaging are used to inform consumers about the shapes of LEGO bricks, in the same way that photos or other images on packaging show what the contents are, or similar to how ZURU provides a sample of bricks and how LEGO, ZURU, and

others use or have used pictures and images of their bricks on their packaging and advertising materials, or use lids with studs to indicate the contents of the container.

85. The studs on ZURU's lids are functional, in that they assist in the stacking of the containers.

86. ZURU does not use the patterns on its lids or packaging as source identifiers. Instead, ZURU uses the patterns to inform consumers about the shapes of its bricks and the interoperability of its bricks with other bricks, including by providing three-dimensional samples of bricks and pictures of bricks on its packaging, and by using lids with studs.

87. ZURU's patterns are not confusingly similar to LEGO's Stud Trademarks. In fact, ZURU is aware of only three instances of possible confusion between any of ZURU's products and LEGO's products, out of thousands of comments on social and digital media platforms. Furthermore, LEGO, with an even larger social media operation, has not submitted proof of any instances of actual confusion, nor has LEGO alleged any such actual confusion, despite having cited several social media posts in the Connecticut Lawsuit.

88. There are multiple competitors to ZURU and LEGO who make use of similar stud designs and examples on their product packaging and container, including lids. For example, this Mega Bloks container includes both pictures of blocks with circular studs, and a container lid that features circular studs, just like the container lids used by ZURU and container lids used by LEGO.



Mega Bloks Container

89. ZURU's use of the stud patterns is also not confusingly similar to LEGO's, because, among other reasons, the ZURU house mark and logo are conspicuously displayed throughout ZURU's packaging on ZURU containers that feature the stud patterns. Similarly, the MAX mark is prominently displayed on the top face of each individual solid stud on the ZURU container lids. In contrast to any studs featured on LEGO's container lids, ZURU has four individual hollow studs on its container lid, one placed on each corner of the lid. In addition to further distinguishing the lids' appearance, the hollow studs facilitate the functionality of the lids' stacking capabilities. It is immediately clear to any consumer that these products come from ZURU, not LEGO.

90. Although LEGO has conceded to the USPTO that it is not claiming protection for studs on LEGO bricks themselves, LEGO's claims against ZURU are an improper and inequitable attempt to enforce intellectual property rights it does not possess on the functional stud elements.

91. Importantly, LEGO's attempts to stop ZURU from providing two-dimensional and three-dimensional representations of its bricks are attempts to claim non-existent and expired intellectual property rights in bricks themselves, to prevent ZURU from accurately identifying and advertising its own products and their features to consumers who are interested in ZURU's

low-cost alternative to LEGO construction toys. LEGO has conceded that its bricks are not protectable. Yet if ZURU has no way of showing its own bricks on its packaging or advertisements, it cannot effectively describe its own products to its own consumers, and LEGO therefore has achieved an improper (albeit baseless) monopoly on any toy construction bricks with studs. This is a gross anticompetitive abuse of intellectual property laws, and an unlawful attempt to prevent fair competition, with the end result that only LEGO would be able to effectively show its products to consumers.

### **LEGO's Color Scheme Trade Dress Claims**

92. LEGO contends that it has used a color scheme consisting of the colors red, yellow, black, and white ("Color Scheme").

93. LEGO contends that it has common law trade dress rights in the Color Scheme ("Trade Dress").

94. LEGO contends that ZURU's display of the colors red, yellow, black, and white for its MAX Build More and MAYKA Toy Block Tape lines of toys are likely to cause consumer confusion and therefore infringe LEGO's rights in the aforementioned color scheme ("Accused Trade Dress Products"). Representative images of the Accused Logos--MAX Build More and MAYKA--are attached at Exhibit 21.

95. The Accused Logos were modified by ZURU ("Redesigned Logos"). Representative images of the Redesigned Logos are included at Exhibit 22.

96. ZURU (including its predecessor companies) has used yellow and black for its ZURU brand logo since at least 2004, with a stylized yellow "ZURU" outlined in black and superimposed on a red square, on a variety of products that long preceded the Accused Trade Dress Products.

97. Toy products sold by third parties in the United States often have packaging or promotional materials that use some combination of black, white, yellow, and red; such combination of colors is generic, is not distinctive of LEGO products, and is not a source identifier.

98. Bright colors on children's toy products in the United States are functional, because they work to grab consumers' attention, and have come to represent to consumers that the product is intended for children. There is no trademark protection in these functional elements.

99. The Color Scheme trade dress claims by LEGO are not sufficiently narrowly defined, and include functional elements that cannot be the subject of trade dress protection.

100. LEGO does not own trade dress in the Color Scheme. LEGO had every chance to file for a trademark in the Color Scheme alone, as it has done hundreds of other times in relation to other elements that it asserts as protectable intellectual property. This was not an oversight. Yet LEGO did not do so, likely because it knew that it could not prevail in such a trademark application, and would have created a file history that would have negatively impacted LEGO's overly broad claims designed to hurt legitimate competition, like those at issue here. This is all part of LEGO's unlawful attempt to prevent competition to the detriment of ZURU and other competitors and the consuming public, which has a need for ZURU's high quality, lower cost alternative to LEGO's products.

101. LEGO's improper and inequitable attempts to stop ZURU from using its color combination or from showing and describing its products to its consumers, is just one further way in which LEGO is trying to eliminate competition by ZURU. A product that is sold using dull colors, no pictures of the products, and black and white or similar dull text, as LEGO

apparently would have ZURU's products be sold, would never have the ability to effectively and fairly compete with LEGO, to the detriment of ZURU and consumers who want access to ZURU's high quality, lower cost products.

102. The Accused Logos and Redesigned Logos are not confusingly similar with the LEGO logo.

103. The Accused Logos and Redesigned Logos, and the LEGO logo are not identical.

104. The Color Scheme Trade Dress and ZURU's Trade Dress Products are not confusingly similar.

105. The Color Scheme Trade Dress and ZURU's Trade Dress Products are not identical.

#### **LEGO's Design Patent Claims**

106. LAS claims to own U.S. Design Patent Nos. D701,923S ("the '923 Patent"); D688,328S ("the '328 Patent"); D641,053S (the '053 Patent"); and D614,707S ("the '707 Patent") (collectively "Asserted Design Patents"). Copies of the Asserted Design Patents are attached as Exhibits 23, 24, 25, and 26, respectively. As with its Friends figurines design patents, LEGO again sought to claim functional elements in its Asserted Design Patents, including, inter alia, the studs.

107. LEGO filed application 29/454,978 ("the '978 application"), for D701, 923S, on or about May 16, 2013.

108. Prior to filing the '978 application, LEGO manufactured and sold at least the following products:

- Brick 1x1, Design Id. 4070, 30069, 35388 since 1980.
- Brick 1x4, Design Id. 30414 since 2000.



- Brick 1x2, Design Id. 52107 since 2005.
- Brick 1x1, Design Id. 87087 since 2009.

Representative images are at Exhibit 27.

109. LEGO intentionally withheld the designs of at least these prior products from the U.S. Patent and Trademark Office (“USPTO”) during prosecution of the ‘978 application. The ‘923 Patent would not have been granted to LEGO had LEGO not omitted from its disclosures information on the designs of its own prior art products.

110. LEGO filed application 29/410,286 (“the ‘286 application”), for D688,328S, on or about January 6, 2012.

111. Prior to filing the ‘286 application, LEGO manufactured and sold at least the following product:

- Bracket 1x2x2, Design Id. 44728, 86644 since 2002.

A representative image is at Exhibit 28.

112. LEGO intentionally withheld the design of at least this prior product from the USPTO during prosecution of the ‘286 application. The ‘328 Patent would not have been granted to LEGO had LEGO not omitted from its disclosures information on the designs of its own prior art products.

113. LEGO filed application 29/315,659 (“the ‘659 application”), for D614,707S, on or about July 14, 2009.

114. Prior to filing the ‘659 application, LEGO manufactured and sold at least the following products:

- Window 1x2x2, Item No. 7026b since 1954.
- Door Frame 1x3x4, Item No. 3579 since 1973.

- Window 1x4x3, Item No. 4033 since at least 1980.
- Window 1x2x3, Item No. 4035 since 1980.
- Window 1x4x5, Item No. 2493a since 1983.
- Window 1x4x3, Item No. 6556 since 1993.
- Window 1x4x4, Design ID 6154, 40527 since 1995.
- Window 1x2x2, Item No. 60592 since 2008.

Representative images are at Exhibit 29.

115. LEGO intentionally withheld the designs of at least these prior products from the USPTO during prosecution of the '659 application. The '707 Patent would not have been granted to LEGO had LEGO not omitted from its disclosures information on the designs of its own prior art products.

116. LEGO contends that ZURU manufactured, sold, offered to sell, and imported, and/or currently manufactures, sells, offers to sell, and imports in the United States certain building bricks ("Accused Bricks") that are substantially similar to the Asserted Design Patents in at least three different products:

- MAX Build More Building Bricks Value Set (759 Bricks);
- MAX Build More Building Bricks Value Set (253 Bricks); and
- MAX Build More Building Bricks Value Set (250 Pieces)

(collectively "MAX Build More Building Bricks Value Sets").

117. LEGO contends that the MAX Build More Building Bricks Value Sets include the Accused Bricks. LEGO contends that the Accused Bricks in the MAX Build More Building Bricks Value Sets are substantially similar to the Asserted Design Patents.

118. The designs of the Accused Bricks were either modified or removed from the MAX product lines by ZURU (“Redesigned Bricks”). Copies of the Redesigned Bricks are included at Exhibit 30. The Redesigned Bricks are not substantially similar to the Asserted Design Patents.

119. Furthermore, the subjects of the LEGO Asserted Design Patents are components, such that individual combinations of them are not protected under LEGO’s Asserted Design Patents.

### **COUNT I**

#### **(Violation of the Sherman Act)**

120. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

121. These claims arise under Section 2 of the Sherman Act, (15 U.S.C. § 2), and Sections 4(a) and 16 of the Clayton Act (15 U.S.C. §§ 15(a) and 26). These claims seek treble damages and injunctive and other relief arising out of LEGO’s unlawful monopolization and attempted monopolization of the U.S. market for construction toys.

122. The relevant product market is construction toys and the relevant geographic market is the United States. Construction toys are collections of individual pieces with interlocking features that can be connected or taken apart in a number of ways.

123. Construction toys are not reasonably interchangeable with other types of toys. Major retailers and their customers would not substitute other types of toys in response to an increase in the price of construction toys.

124. There are substantial barriers which make successful entry by new brands into the construction toy market unlikely. For example, successful entry requires a high initial

investment in specialized production and tooling equipment and facilities, as well as a substantial continuing investment in product development. Additional barriers to entry include entrenched buyer preferences and brand loyalty to LEGO, as well as limited retail shelf space already dominated by LEGO.

125. LEGO has monopoly power in the construction toy market, which includes the power to control prices and exclude competition.

126. According to Mr. Richard Gottlieb, a prominent toy expert, in 2017, LEGO had worldwide revenues of over \$5.6 Billion. See Exhibit 31 - LEGO Group 2017 Annual Report. The next largest competitor was Mega Bloks with approximately \$270 million construction toy revenue for 2017. See Exhibit 32 at page 6. ZURU's products compete in the construction toy market and the prices for its construction toy products are consistently and substantially lower than LEGO's prices.

127. LEGO has attempted to monopolize and maintain its monopoly power by improperly enforcing its fraudulently and inequitably obtained intellectual property rights against other competitors, by filing suits with knowledge that the underlying intellectual property rights are unenforceable under the circumstances. See, e.g., *Mega Brands Inc. et al v. LEGO Juris A/S et al.* 8:12-cv-0064-JVS-AN (C.D. Cal.). LEGO's exclusionary acts include but are not limited to its aggressive practice of filing for large numbers of intellectual property protections worldwide, including hundreds of publicly visible trademark applications, copyrights, and patents, in the United States alone. Additional evidence of LEGO's specific intent to monopolize the construction toy market is demonstrated by LEGO's efforts to assert its fraudulently obtained intellectual property against ZURU Inc. with the resulting exclusion of ZURU's products from the United States' construction toy market.

128. LEGO fraudulently and inequitably obtained patent, trademark and copyright protections, including through material misrepresentations and/or fraudulent nondisclosures to the USPTO, and then knowingly and improperly asserted such invalid and/or unenforceable intellectual property rights against ZURU Inc. in the Connecticut Lawsuit. At the time LEGO filed the Connecticut Lawsuit, LEGO knew or should have known that its intellectual property rights were invalid and/or unenforceable against ZURU under these circumstances; LEGO's lawsuit was therefore in bad faith and an impermissible exclusionary act in violation of the antitrust laws.

129. Specifically, in order to obtain the LEGO Stud Trademarks, LEGO inequitably withheld material information regarding the stud functional elements. Instead, LEGO led the USPTO to believe that LEGO was not seeking protection for the cylindrical stud functional element, but was seeking protection only for its use as an element of product packaging--contrary to its assertion against ZURU. When the USPTO refused the Stud Trademarks for functionality, LEGO claimed that the objection "may be based on a slight mis-understanding as to the nature of the specimen" in that the "cylindrical surface features on the lid in the specimen have no functional purpose whatsoever." However, studs on lids are functional, including in the sense that they inform the consumer of the product inside. The USPTO relied on the erroneous information provided by LEGO in assessing the validity of the trademarks. LEGO knew that the trademarks were fraudulently obtained and maintained because LEGO knew that it could not legitimately assert trademark rights in an essential functional cylindrical stud element. Absent the fraud, the LEGO trademarks would not have been granted--as demonstrated by LEGO's prior unsuccessful attempt to trademark its brick and the Tyco court's comments regarding functionality.

130. In order to obtain the LEGO Minifigure Trademark, LEGO withheld material information regarding the functional elements, including studs and hands. As discussed above, LEGO inequitably withheld material information from the USPTO in the prosecution of its Minifigure Trademark, including that it had claimed functional stud elements in its '733 Patent, and had admitted functionality of stud on top of the head, the hand grips, as well as the torso, legs, and the feet in its '327 Trademark application. The USPTO relied on the erroneous and incomplete information provided by LEGO in assessing the validity of the trademarks. LEGO knew that the trademark registrations (as well as its copyright registrations in its figurines) were fraudulently obtained and maintained because LEGO and its counsel knew that LEGO could not legitimately assert exclusive rights in essentially functional elements. Absent the fraud, the LEGO trademarks would not have been granted--as demonstrated by LEGO's prior unsuccessful attempt to trademark its brick and the Tyco court's comments regarding functionality.

131. In order to obtain the LEGO Asserted Design Patents, LEGO knowingly and intentionally concealed evidence of its own prior sales of similar or identical products more than one year before the applications. LEGO knew of its prior sales yet inequitably and intentionally concealed that information from the USPTO. Absent this concealment, LEGO's design patents would not have been granted.

132. LEGO knew or should have known at the time LEGO filed the Connecticut Lawsuit that its trademark, copyright and patent rights were invalid and/or unenforceable against ZURU under the circumstances. LEGO's lawsuit was filed with anticompetitive intent--a mere sham to cover what was actually an attempt to interfere directly with the business relationships of its competitor, ZURU--to unfairly and improperly exclude ZURU from the construction toy market in the United States.

133. As a result of LEGO's anticompetitive conduct, a dangerous probability exists that LEGO will succeed in continuing to maintain, extend, prolong, and enlarge its monopoly power in the construction toy market. Through LEGO's baseless infringement suit, LEGO is seeking to impose the significant costs of defending this lawsuit on ZURU and improperly raising the market entry costs for ZURU. Through LEGO's efforts to use invalid or unenforceable intellectual property rights to halt competition and wrongfully stifle ZURU's entry, and growth and sales in the U.S. construction toy market, LEGO is attempting to strengthen and improperly maintain its monopoly status, causing antitrust injury to ZURU, other U.S. construction toy competitors, retailers, and consumers alike.

134. LEGO's actions against ZURU are evidence of its subjective intent to interfere directly with ZURU's business relationships. LEGO's purpose in knowingly asserting its fraudulently obtained and maintained and overly broad trademark, copyright, and patent rights, and seeking a TRO weeks before the Christmas holiday, was to prevent ZURU's legitimately competing products from being sold in the United States by large retail customers.

135. LEGO's actions have caused further competitive injury to ZURU by excluding ZURU's high quality, lower cost, innovative competing products from the market, resulting in lost past and future sales, as well as lost retail shelf space. ZURU has suffered other injury to its business and property by reason of LEGO's illegal monopolization and attempted monopolization, including but not limited to the cost of defending infringement litigation, precluded entry, and premature exit from the U.S. construction toy market.

136. LEGO's actions have also caused harm to competition and consumers by excluding ZURU's high quality, lower cost, innovative products from the construction toy market, and forcing consumers to purchase LEGO products at supracompetitive prices. If

LEGO's assertion of invalid and/or overly broad trademark, copyright, and patent rights is not stopped, LEGO will continue to seek foreclosing all competing suppliers of construction toys, resulting in higher prices to consumers and decreased innovation.

**COUNT II**

**(Intentional Interference with Prospective Economic Advantage)**

137. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

138. ZURU Inc. has entered into economic relationships with at least one U.S. retail customer, whereby that customer placed orders for ZURU's products who wish to market those products to customers. These relationships offer a probable economic benefit to ZURU LLC.

139. LEGO is aware of the existence of ZURU Inc.'s customer relationships, and is aware ZURU seeks to deliver construction toy products to its customers. LEGO engaged in wrongful conduct designed to interfere with these relationships, without justification, by seeking to enforce invalid trademarks, copyrights, and patents with the intent of stopping ZURU from selling its products to customers and monopolizing the U.S. market for construction toys, in violation of the Section 2 of the Sherman Act, (15 U.S.C. § 2).

140. LEGO's actions have damaged the relationships between ZURU and its customers, by interfering with ZURU's ability to fulfill orders from those customers.

141. ZURU has been harmed by LEGO's intentional interference with ZURU's business relationships with its customers.



**COUNT III**

**(Invalidity of the Minifigure Copyrights)**

142. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

143. LAS claims to be the owner of the Minifigure Copyrights.

144. LEGO's Minifigure figurines were intentionally mischaracterized at the Copyright Office as sculptures rather than as construction toys with many functional elements that are not copyrightable subject matter.

145. LEGO's Minifigures are fully or partially functional.

146. LEGO's Minifigures have highly variable and inconsistent appearances.

147. LEGO's Minifigure copyright claims are overly broad and vague.

148. LEGO has accused ZURU's Minifigure Figurines of infringement of these copyrights. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Minifigure Copyrights are fully or partially invalid.

**COUNT IV**

**(Noninfringement of the Minifigure Copyrights)**

149. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

150. LAS claims to be the owner of the Minifigure Copyrights.

151. LEGO's Copyrights are not valid or enforceable in whole or in part.

152. ZURU's figurines are not strikingly or substantially similar to LEGO's Minifigures.

153. ZURU's Accused Figurines, Redesigned Figurines, Accused Images and Redesigned Images are largely functional.

154. LEGO has accused ZURU's Minifigure Figurines of infringement of these copyrights. ZURU LLC is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Accused Figurines, Redesigned Figurines, Accused Images, and Redesigned Images do not infringe LEGO's Copyrights.

### **COUNT V**

#### **(Invalidity of the Minifigure Trademark)**

155. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

156. LJAS claims to be the owner of the Minifigure Trademark.

157. LEGO contends that it has a Common Law Minifigure Trademark.

158. LEGO's Minifigures are fully or partially functional.

159. LEGO's Minifigures have highly variable and inconsistent appearances.

160. The features at issue for the LEGO Minifigures have not acquired distinctiveness, and are commonly used by third parties.

161. The features at issue for LEGO's Minifigures are not source identifiers.

162. LEGO's claimed rights in its Minifigure trademarks are overly broad and vague.

163. LEGO engaged in inequitable conduct when it intentionally failed to properly disclose previous contradictory positions taken by LEGO, government agencies, and courts, or at the very least had a duty to disclose functional features, instead of stating what was necessary in each filing to obtain the desired protection.

164. LEGO has accused ZURU's Minifigure Figurines of infringement of these trademarks. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Minifigure Trademark and the Common Law Minifigure Trademark are each fully or partially invalid and not enforceable against ZURU LLC.

165. The Minifigure Trademarks and the Common Law Minifigure Trademark are fully or partially invalid and unenforceable against ZURU Inc.

### **COUNT VI**

#### **(Noninfringement of the Minifigure Trademark)**

166. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

167. LJAS claims to be the owner of the Minifigure Trademark.

168. LEGO contends that it has a Common Law Minifigure Trademark.

169. The Minifigure Trademark and the Common Law Minifigure Trademark are each fully or partially invalid and unenforceable.

170. The Accused Figurines and Redesigned Figurines are not confusingly similar with the Minifigure Trademark.

171. The Accused Images and Redesigned Images are not confusingly similar with the Minifigure Trademark.

172. The Accused Figurines and Redesigned Figurines are not confusingly similar with the Common Law Minifigure Trademark.

173. The Accused Images and Redesigned Images are not confusingly similar with the Common Law Minifigure Trademark.

174. ZURU's Accused Figurines, Redesigned Figurines, Accused Images and Redesigned Images are largely functional.

175. LEGO has accused ZURU's Minifigure Figurines of infringement of these trademarks. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that ZURU's Accused Figurines, Redesigned Figurines, Accused Images, and Redesigned Images do not infringe these trademarks.

176. The Accused Figurines, Accused Images, Redesigned Figurines and Redesigned Images do not infringe the Minifigure Trademark and/or Common Law Minifigure Trademark.

## **COUNT VII**

### **(Invalidity of the Stud Trademarks)**

177. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

178. LJAS claims to be the owner of the Stud Trademarks.

179. LEGO's Stud Trademarks have not acquired distinctiveness, and are commonly used by third parties.

180. LEGO's Stud Trademarks are not source identifiers.

181. LEGO's Stud Trademarks are functional.

182. LEGO has accused ZURU's product packaging and product lid designs of infringement of these trademarks. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Stud Trademarks are fully or partially invalid.

183. The Stud Trademarks are fully or partially invalid and unenforceable against ZURU Inc.

**COUNT VIII**

**(Noninfringement of the Stud Trademarks)**

184. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

185. LJAS claims to be the owner of the Stud Trademarks.

186. The Stud Trademarks are each fully or partially invalid and unenforceable.

187. The Accused Packaging and Redesigned Packaging are not confusingly similar to LEGO's Stud Trademarks.

188. The Accused Packaging and Redesigned Packaging are a descriptive fair use.

189. The Accused Product packaging does not function as a source identifier, and is functional.

190. LEGO is asserting rights against ZURU which extend beyond its limited Stud Trademarks.

191. LEGO has accused ZURU's product packaging and product lid designs of infringement of these trademarks. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Stud Trademarks are not infringed.

192. The Accused Packaging and Redesigned Packaging do not infringe the Stud Trademarks.

**COUNT IX**

**(Invalidity of LEGO's Color Scheme Trade Dress)**

193. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

194. LEGO contends that it has common law Color Scheme Trade Dress rights.

195. The Color Scheme covered by the Trade Dress is generic and commonly used in toy packaging and promotion.

196. The Color Scheme covered by the Trade Dress is functional for children's toys.

197. Color Scheme Trade Dress claimed by LEGO are not sufficiently narrowly defined for trade dress protection. LEGO has accused ZURU logos of infringing its Color Scheme trade dress. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Trade Dress is fully or partially invalid and unenforceable against ZURU Inc.

198. The Color Scheme Trade Dress is fully or partially invalid and unenforceable.

### **COUNT X**

#### **(Noninfringement of LEGO's Color Scheme Trade Dress)**

199. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

200. LEGO contends that it has common law Trade Dress rights.

201. LEGO's Color Scheme Trade Dress is fully or partially invalid and unenforceable.

202. The Accused and Redesigned Trade Dress Products, and LEGO's Color Scheme Trade Dress are not confusingly similar.

203. The Color Scheme was used for toys well before LEGO's Trade Dress, and is used in combination with other ZURU marks.

204. LEGO has accused ZURU logos of infringing its trade dress. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that its

Accused Logos and Redesigned Logos, and its Accused Trade Dress Products, do not infringe LEGO's Color Scheme Trade Dress.

205. ZURU's Accused Trade Dress Products, and its Accused Logos and Redesigned Logos, do not infringe LEGO's alleged Color Scheme Trade Dress.

**COUNT XI**

**(Invalidity of the Friends Figurine Copyright)**

206. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

207. LAS claims to be the owner of the Friends Figurine Copyright.

208. LEGO's Friends figurines may have been mischaracterized at the Copyright Office as sculptures rather than as construction toys with many functional elements that are not copyrightable subject matter.

209. LEGO's Friends Figurines are fully or partially functional.

210. LEGO'S Friends Figurines have highly variable and inconsistent appearances.

211. LEGO'S claimed copyrights in its Friends Figurines are overly broad and vague.

212. LEGO has accused ZURU's MAYKA Toy Block Tape packaging of infringing the Friends Figurine Copyright. ZURU LLC is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Friends Figurine Copyright is fully or partially invalid and unenforceable.

213. The Friends Figurine Copyright is fully or partially invalid and unenforceable.

**COUNT XII**

**(Noninfringement of the Friends Figurine Copyright)**

214. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

215. LAS claims to be the owner of the Friends Figurine Copyright.

216. LEGO's Copyrights are not valid or enforceable.

217. The Accused Friends Image on the product packaging is not strikingly or substantially similar to the Friends Figurine Copyright.

218. LEGO has accused ZURU's MAYKA Toy Block Tape packaging of infringing the Friends Figurine Copyright. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Accused Packaging and Redesigned Packaging do not infringe.

**COUNT XIII**

**(Invalidity of the Asserted Design Patents)**

219. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein

220. On information and belief, LAS owns the Asserted Design Patents.

221. LEGO has accused ZURU's Accused Bricks of infringing its Asserted Design Patents. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Asserted Design Patents are invalid and unenforceable for inequitable conduct.

222. The Asserted Design Patents are each invalid under the Patent Act., 35 U.S.C. § 101 et seq., including, but not limited to, Sections 102, 103, and/or 171.



**COUNT XIV**

**(Noninfringement of the Asserted Design Patents)**

223. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

224. LAS claims to be the owner of the Asserted Design Patents.

225. LEGO has accused ZURU's Accused Bricks of infringing its Asserted Design Patents. ZURU Inc. is entitled to a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that its Accused Bricks and Redesigned Bricks do not infringe the Asserted Design Patents.

**COUNT XV**

**(Violation of the Connecticut Unfair Trade Practices Act)**

226. ZURU Inc. incorporates the allegations in the foregoing paragraphs as if the same were set forth herein.

227. By engaging in the acts alleged above, including by monopolizing the U.S. market for construction toys, LEGO has willfully and maliciously engaged in conduct offensive to public policy, governing statutes, including Section 2 of the Sherman Act, 15 U.S.C. § 2, common law principles, and established concepts of fairness.

228. LEGO's willful and malicious conduct was and is immoral, unethical, oppressive, and unscrupulous.

229. LEGO's conduct has caused and will continue to cause substantial injury to ZURU and to consumers.

230. LEGO committed such acts, and continues to commit such acts, in the conduct of trade or commerce.

231. ZURU has suffered an ascertainable loss of money or property as a result of LEGO's actions.

**REQUEST FOR RELIEF**

WHEREFORE, ZURU Inc. requests the following relief against LEGO:

- a. a finding that LEGO's conduct alleged herein constitutes a violation of Section 2 of the Sherman Act;
- b. a finding that LEGO's conduct alleged herein constitutes intentional interference with ZURU's prospective economic advantage;
- c. a declaration that the Minifigure Copyrights are invalid and not enforceable;
- d. a declaration that the Accused Figurines and Accused Images do not infringe and have not infringed any of the Minifigure Copyrights;
- e. a declaration that the Redesigned Figurines and Redesigned Images do not infringe and have not infringed any of the Minifigure Copyrights;
- f. a declaration that the Minifigure Trademark and Common Law Minifigure Trademark are invalid and not enforceable;
- g. a declaration that the Accused Figurines and Accused Images do not infringe the Minifigure Trademark or Common Law Minifigure Trademark;
- h. a declaration that the Redesigned Figurines and Redesigned Images do not infringe the Minifigure Trademark;
- i. a declaration that each of the Stud Trademarks are invalid and unenforceable;
- j. a declaration that the Accused Packaging and Redesigned Packaging (including the individual components of either packaging) do not infringe and have not infringed any of the Stud Trademarks;

- k. a declaration that the Color Scheme Trade Dress is invalid and unenforceable;
- l. a declaration that the accused logos do not infringe and have not infringed the Trade Dress;
- m. a declaration that the Friends Figurine Copyright is invalid and not enforceable;
- n. a declaration that the Accused Images do not infringe the Friends Figurine Copyright;
- o. a declaration that the Redesigned Images do not infringe the Friends Figurine Copyright;
- p. a declaration that Asserted Design Patents are invalid and unenforceable;
- q. a declaration that the Accused Bricks and Redesigned Bricks do not infringe any of the Asserted Design Patents;
- r. a finding that LEGO's conduct alleged herein constitutes a violation of the Connecticut Unfair Trade Practices Act;
- s. an award of compensatory damages sustained by ZURU Inc. as a result of LEGO's conduct alleged herein;
- t. an award of treble damages sustained by ZURU as a result of LEGO's conduct in violation of the Sherman Act;
- u. an award of double damages sustained by ZURU as a result of LEGO's conduct in violation of the Connecticut Unfair Trade Practices Act;
- v. an award of attorneys' fees and costs associated with this Action; and
- w. any further relief as the Court deems just and proper.

**JURY DEMAND**

Pursuant to Fed. R. Civ. P. 38(b), Counter-Claimant ZURU Inc. demands a trial by jury of all issues raised by its Counterclaims that are triable by jury.

**THE DEFENDANT AND  
COUNTERCLAIM PLAINTIFF  
ZURU, INC.**

/s/ Simon I. Allentuch  
Simon I. Allentuch, Esq. (ct21094)  
Aeton Law Partners LP  
470 James Street  
New Haven, Connecticut 06514  
Tel: 860.270.0559  
Fax: 860.724.2161  
[Simon@Aetonlaw.com](mailto:Simon@Aetonlaw.com)

R. Tyler Goodwyn (*pro hac vice*)  
Tami Lyn Azorsky (*pro hac vice*)  
Dentons US LLP  
1900 K Street NW  
Washington, DC 20006  
Tel: 202-496-7143  
Fax: 202-496-7756  
[tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
[tami.azorsky@dentons.com](mailto:tami.azorsky@dentons.com)

# **Exhibit 1**



US009149733B2

(12) **United States Patent**  
**Kraag Henriksen**

(10) **Patent No.:** **US 9,149,733 B2**  
 (45) **Date of Patent:** **Oct. 6, 2015**

(54) **TOY BRICK, A METHOD OF MANUFACTURING A TOY BRICK AND A MOULDING TOOL FOR THE MANUFACTURE OF A TOY BRICK**

(58) **Field of Classification Search**  
 USPC ..... 446/115, 116, 117, 120, 121, 124, 125, 446/128  
 See application file for complete search history.

(71) Applicant: **LEGO A/S, Billund (DK)**  
 (72) Inventor: **Preben Kraag Henriksen, Vorbasse (DK)**

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(73) Assignee: **LEGO A/S, Billund (DK)**  
 ( \* ) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 0 days.

(Continued)  
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 WO 2010/145660 A1 12/2010

(21) Appl. No.: **14/412,659**

OTHER PUBLICATIONS  
 International Search Report in corresponding international application No. PCT/EP2013/064447, mailed on Aug. 2, 2013.

(22) PCT Filed: **Jul. 9, 2013**

*Primary Examiner* Kurt Fornstrom  
 (74) *Attorney, Agent, or Firm* — Day Pitney LLP

(86) PCT No.: **PCT/EP2013/064447**

§ 371 (c)(1).  
 (2) Date: **Jan. 2, 2015**

(57) **ABSTRACT**  
 A toy brick comprising: a body part with one or more sidewalls extending around the outer periphery of the toy brick which at least partially define an interior of the toy brick and extend from a bottom face to a top portion of the body part, and an elongated rib arranged interiorly on one of the one or more sidewalls. The elongated rib extends at least partially between the bottom face towards the top portion of the body part and the elongated rib is, upon interconnection with another toy brick, configured to be in abutment on coupling means with the other toy brick, the width of the elongated rib, in a central portion in-between the bottom face and the top portion and parallel to the sidewall accommodating the elongated rib, is greater than the width of the elongated rib near its ends parallel to the sidewall accommodating the elongated rib.

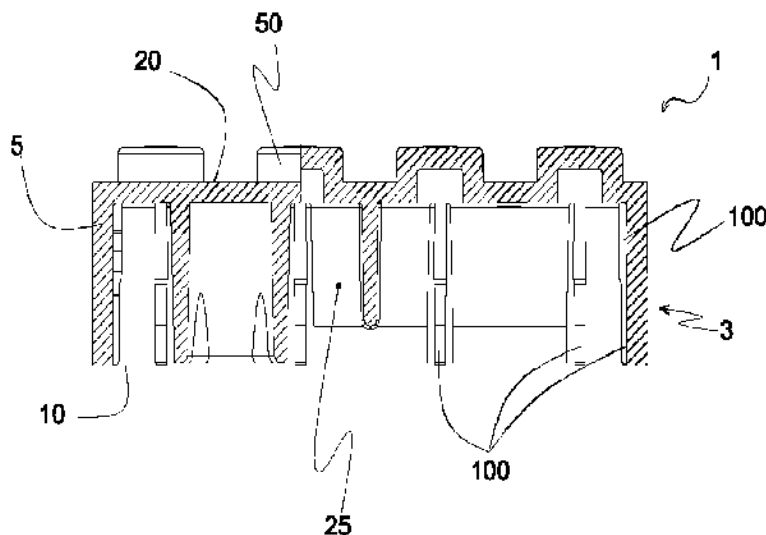
(65) **Prior Publication Data**  
 US 2015/0147933 A1 May 28, 2015

(30) **Foreign Application Priority Data**  
 Jul. 11, 2012 (DK) ..... 2012 70421

(51) **Int. Cl.**  
**A63H 33/08** (2006.01)  
**B29C 45/26** (2006.01)

(52) **U.S. Cl.**  
 CPC ..... **A63H 33/08** (2013.01); **A63H 33/086** (2013.01); **B29C 45/26** (2013.01)

**12 Claims, 2 Drawing Sheets**



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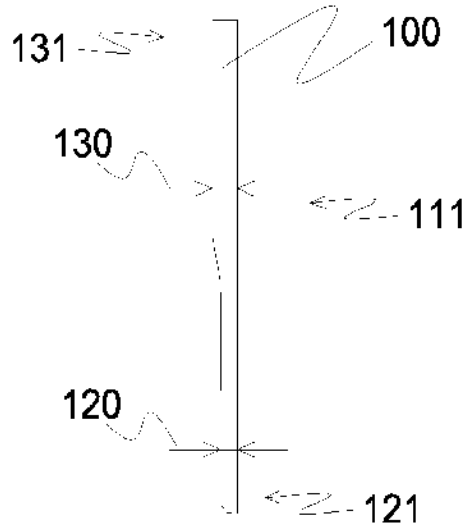


Figure 1

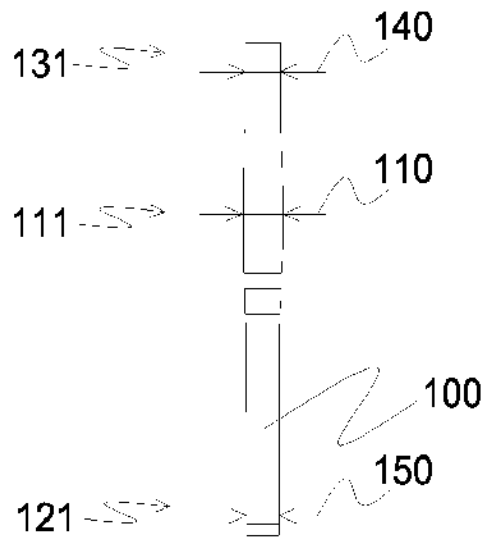


Figure 2



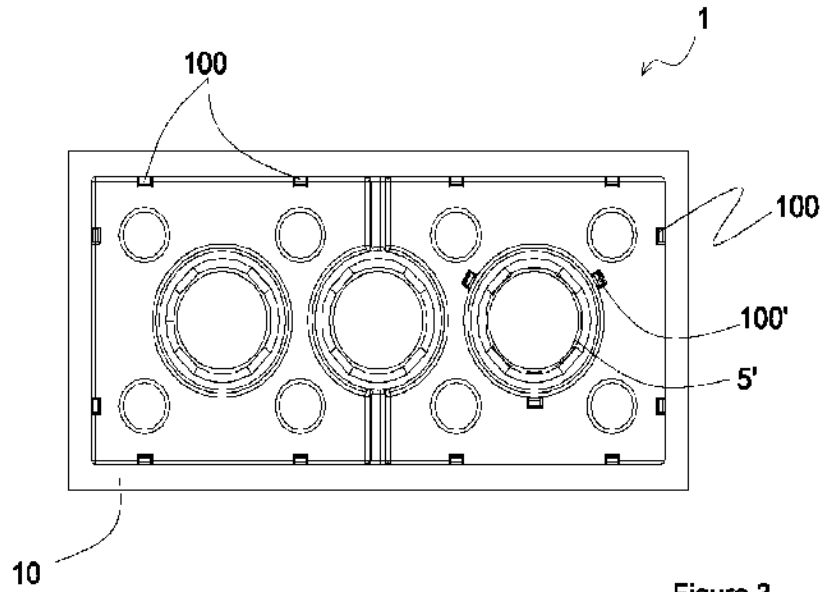


Figure 3

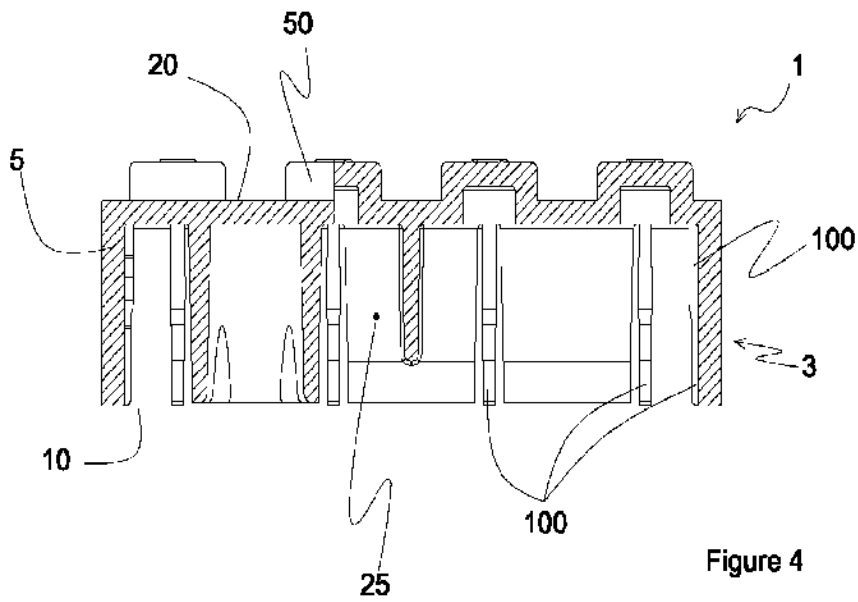


Figure 4

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**TOY BRICK, A METHOD OF  
MANUFACTURING A TOY BRICK AND A  
MOULDING TOOL FOR THE  
MANUFACTURE OF A TOY BRICK**

CROSS-REFERENCE TO RELATED  
APPLICATIONS

This application is a U.S. National Stage of International Application No. PCT/EP2013/064447, filed on 9 Jul. 2013 and published on 16 Jan. 2014, as WO 2014/009345 A1, which claims the benefit of priority to Danish Patent Application No. PA 2012 70421, filed on 11 Jul. 2012.

BACKGROUND OF THE INVENTION

The present invention relates, according to a first aspect, to a toy brick comprising:

A body part with one or more sidewalls extending around the outer periphery of the toy brick. The one or more sidewalls at least partially define an interior of the toy brick and the sidewalls extend from a bottom face to a top portion of the body part,

An elongated rib arranged interiorly in the body part. The elongated rib extends essentially between the bottom face towards the top portion of the body part,

A width of the elongated rib, in an end portion near the top portion and parallel to a portion of a face accommodating the elongated rib, which width near the top portion is greater than or equal to the width of the elongated rib near its end, facing the bottom face.

The body part may form part of a complex toy brick and the like.

The elongated rib may constitute a raised ridge or similar projecting from a surface such as a wall or an internal pipe etc. The elongated rib may serve multiple purposes such as to contribute to structural integrity of an item or to contribute to functional properties of an item.

According to a second aspect, the present invention relates to a method of manufacturing a toy brick.

According to a third aspect, the present invention relates to a moulding tool for manufacturing a toy brick.

According to other aspects, the present invention relates to a plastic product or item, a method of manufacturing a plastic product and a moulding tool for manufacturing a plastic product.

WO 2010/145660 A discloses a building element, a method of making a building element and a moulding tool for the manufacture of a building element. The building element constitutes a building brick including sidewalls that are undercut at least in an area where the brick abut on a coupling stud of another building brick. The undercut is located a distance from the lower-most edge corresponding to the height of the coupling stud of the other building brick. This to the effect that the complementarily configured surfaces adjoin the cylinder faces on coupling stud at least a distance below the top of the coupling stud. By this, a building element which takes into account the wish for a stable and adequate retention force, while simultaneously it is simple and easy to interconnect with other building elements.

U.S. Pat. No. 8,105,128 B1 discloses an injection moulded toy building element which in its interior has at least one hollow member which is open through the extended upper surface, and has an outward slope, in a direction extending from the bottom towards the top. The purpose of the hollow

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member being open to the extended upper surface is to facilitate the formation of the hollow member and the removal thereof from the mould parts.

Building elements of the type according to an aspect of the present invention advantageously are manufactured by a method that comprises injection moulding in two or more steps. The method includes an injection moulding step wherein the building element typically is injection moulded in one overall moulding step.

The building element may be injection moulded in a mould cavity with an internal mould space having a shape that corresponds to the outer shape of the building element. The mould typically constitutes a two part mould where one part of the mould defines the underside, or the interior, of the building element and the other part of the mould defines the upper face and the exterior of the building element.

The building element is moulded by means of injecting hot material into the compiled moulds and subsequently, when various parameters such as temperature reach a predetermined range, separating the moulds.

Upon separation of the moulds, and subsequent removal of the element from one of the mould parts, the building element typically constitutes a finished product.

In order to control large scale manufacture of injection moulded items such as manufacture of building elements made of plastic, removal of the item or items from the mould may involve several steps of high sophistication. Typically, the items as well as one or more of the moulds, are designed to, upon separation of the moulds; maintain the item on or in the same mould part upon separation of the moulds.

The mould part on or in which the item is designed to stay or reside upon mould separation, typically is provided with means configured for removing or detaching the item from the mould. The means may constitute a mechanical ejector or equivalent. Up to this day, items such as toy bricks and the like typically are produced by injection moulding, and the items often includes one or more barbs or protrusions having the sole purpose of maintaining the item on the same part of the mould when the mould parts are separated. During subsequent removal of the item from the mould part on or in which the item resides, the barbs are, by means of an ejector and sometimes also assisted by a ramp effect caused by shrinkage of the item during cooling, forced out of a cavity in the mould part shaping the barb. This method may damage the items as the items are exposed to sometimes violent and unevenly distributed forces during ejection from the mould.

The damages may constitute cosmetic as well as mechanical damages.

SUMMARY OF THE INVENTION

It is an object of the present invention to set forth a solution to the abovementioned insufficiencies of today's practices.

According to the present invention, the above object is met inter alia by the provision of a toy brick according to the introductory part of this specification wherein the width of the elongated rib, in a central portion in-between the bottom face and the top portion and parallel to a portion of a face accommodating the elongated rib, is greater than the width of the elongated rib, in the end portion near the top portion, parallel to a face whereon the elongated rib is disposed.

The above configuration of the elongated rib will ensure that the toy brick, or item, is maintained in or on the mould part forming the elongated rib.

By this, any deformation and consequently any damage to the item as a result of removal or ejection from the mould is

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avoided as the forces inflicted on the item during removal from the mould are distributed locally in the elongated rib.

According to one embodiment the thickness of the elongated rib, perpendicular to a sidewall accommodating the elongated rib may be greater in a portion near the top portion than the thickness of the elongated rib in a portion near the bottom face of the body part.

According to one embodiment, the body part may be formed without barbs projecting from an interior face of the body part. By this, material is saved and an aesthetically appealing product is obtained.

According to one embodiment, the body part may constitute an essentially box-shaped body part with a top face, a bottom face and at least two opposed and essentially parallel sidewalls extending from the bottom face to the top face of the box-shaped body part.

According to one embodiment, the body part may include at least one coupling stud configured to extend a given height above the top portion. The coupling stud may have a continuous abutment face shaped as a cylinder face whose generatrices extend approximately at right angles from the top portion of the body part to the top of the coupling stud.

According to one embodiment, the at least one coupling stud may be essentially circular.

According to one embodiment, the elongated rib may extend essentially perpendicular to a lower edge of the one or more sidewalls.

According to one embodiment, the body part may comprise a plurality of elongated ribs disposed on inner and opposed faces of the sidewalls.

According to one embodiment, the body part may have a rectangular bottom face. Further, the sidewalls of the body part may extend from each of the sides of the rectangular underside of the body part. Complementarily configured surfaces may be arranged in pairs opposite each other on two parallel and opposite sidewalls of the body part.

According to one embodiment, the toy brick may constitute a toy building brick.

According to a second aspect of the present invention, a method for manufacturing an item, or a toy brick, is disclosed. The method includes a step of injection moulding an item or a toy brick in a mould that comprises at least two mould parts, where one of the mould parts comprises a mould core which shapes the inner and opposed faces of the box-shaped body part. The mould core comprises undercuts configured to form an elongated rib as disclosed herein.

According to a third aspect of the present invention, a moulding tool for use in the manufacture of an item, or a toy brick, is disclosed. The mould comprises at least two mould parts, where one of the mould parts comprises a mould core which shapes the inner and opposed faces of the box-shaped body part. The mould core comprises undercuts configured to form one or more elongated ribs as disclosed herein.

## BRIEF DESCRIPTION OF THE DRAWING

FIG. 1 illustrates a side view of an elongated rib.

FIG. 2 illustrates a front view of an elongated rib.

FIG. 3 illustrates a bottom view of a toy brick.

FIG. 4 illustrates different sectional views through the toy brick according to FIG. 3.

## DETAILED DESCRIPTION OF THE INVENTION WITH REFERENCE TO THE FIGURES

The invention will in the below be explained in further detail with reference to an arbitrary embodiment as shown in the figures.

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According to the first aspect, the present invention may constitute a toy brick, such as a LEGO® brick or similar.

The toy brick 1, or item according to other aspects of the present invention, may, with reference to FIGS. 1 to 4, comprise a body part 3 with one or more sidewalls 5 extending around the outer periphery of the toy brick 1. The sidewalls 5 at least partially define an interior, or cavity 25, within the toy brick 1.

As can be seen in FIGS. 3 and 4, the sidewalls 5 may extend from a bottom face 10 to a top portion 20 of the body part 3 of the toy brick 1.

An elongated rib 100 is shown independently in FIGS. 1 and 2. FIGS. 3 and 4 shows a plurality of elongated ribs 100 disposed on interior faces of the toy brick 1.

As can be seen in FIGS. 3 and 4, the elongated ribs 100 may be arranged interiorly 25 on one or more of the sidewalls 5. The elongated rib 100 may, as shown, extend essentially between the bottom face 10 of the toy brick 1 towards the top portion 20 of the toy brick 1. The elongated rib 100 may, optionally, be configured to, upon interconnection with another toy brick, be in abutment on coupling means with the other toy brick.

As shown in FIG. 2, a width 110 of the elongated rib 100, in a central portion 111 in-between an end portion 121 near the bottom face 10 and an end portion 131 near the top portion 20 of the body part 3, measured parallel to a not shown sidewall accommodating the elongated rib 100, may be greater than a width 150 of the elongated rib 100 in its end portion 121, facing the bottom face 10, and likewise be greater than a width 140 of said elongated rib 100, in the end portion 131 near said top portion 20, again measured parallel to the sidewall 5 accommodating the elongated rib 100.

The above configuration of the elongated rib 100 will ensure that the toy brick 1, or item, is maintained in or on the not shown mould part forming the elongated rib 100. Further, any deformation of the sidewalls 5, and consequently any damage to the item or toy brick 1 as a result of removal or ejection from the mould, is avoided as the forces inflicted on the item during removal from the mould are distributed locally in the elongated rib 100.

As shown in FIG. 1, the thickness 130, in the central portion 111 and/or in the end portion 131 near the top portion 20 of the body part 3 of the elongated rib 100, measured perpendicular to the sidewall 5 accommodating the elongated rib 100, is greater in the end portion 131 near the top portion 20 of the body part 3 than a thickness 120 of the elongated rib 100 measured perpendicular to the sidewall 5 accommodating the elongated rib 100 measured in the end portion 121 near the bottom face 10 of the body part 3.

The application and combination of features and solutions presented by the present invention is not limited to the presented embodiments. One or more features of one embodiment can and may be combined with one or more features of other embodiments, whereby not described but valid, embodiments of the present invention may be obtained.

The term "comprises/comprising/comprised of" when used in this specification incl. claims is taken to specify the presence of stated features, integers, steps or components but does not preclude the presence or addition of one or more other features, integers, steps, components or groups thereof.

End portions 121, 131 should be understood as ends of the elongated rib 100. These ends 121, 131 can also form transitions into the toy brick 1 in such a way that the material from the elongated rib 100 continues into the underside of the top portion 20 in one end 131 and/or continues or form transition into the edge formed by the bottom face 10 at the opposite end 121 of the elongated rib 100.

US 9,149,733 B2

5

The invention claimed is:

1. A toy brick comprising:
  - a body part with one or more sidewalls extending around the outer periphery of said toy brick, said one or more sidewalls at least partially define an interior of said toy brick and said side-walls extend from a bottom face to a top portion of said body part,
  - an elongated rib arranged interiorly in said body part, said elongated rib extending essentially between said bottom face towards said top portion of said body part,
  - a width of said elongated rib, in an end portion near said top portion and parallel to a portion of a face accommodating said elongated rib, which width near said top portion is greater than or equal to the width of said elongated rib near its end, facing said bottom face,
  - characterised in that the width of said elongated rib, in a central portion in-between said bottom face and said top portion and parallel to the portion of the face accommodating said elongated rib, is greater than the width of said elongated rib, in the end portion near said top portion, parallel to a face whereon said elongated rib is disposed.
2. A toy brick according to claim 1, wherein said elongated rib is disposed on one of said one or more sidewalls and wherein said width of said elongated rib is measured parallel to the sidewall accommodating said elongated rib.
3. A toy brick according to claim 1, wherein said elongated rib is disposed on an internal pipe in said interior defined by said body part.
4. A toy brick according to claim 1, wherein said elongated rib is, upon interconnection with another toy brick, configured to be in abutment on coupling means with the other toy brick.
5. A toy brick according to claim 1, wherein a thickness of said elongated rib, perpendicular to a face whereon said elon-

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gated rib is disposed, is greater in the end portion near said top portion of said body part than a thickness of said elongated rib, perpendicular to the face whereon said elongated rib is disposed, in an end portion near said bottom face of said body part.

6. A toy brick according to claim 1, wherein said body part constitute an essentially box-shaped body part with a top portion, a bottom face and at least two opposed and essentially parallel sidewalls extending from said bottom face to said top portion of said box-shaped body part.

7. A toy brick according to claim 1, wherein said body part include at least one coupling stud configured to extend a given height above said top portion, said coupling stud having a continuous abutment face shaped as a cylinder face whose generatrices extend approximately at right angles from said top portion of said body part to the top of said coupling stud.

8. A toy brick according to claim 7, wherein said at least one coupling stud is essentially circular.

9. A toy brick according to claim 1, wherein said elongated rib extend essentially perpendicular to a lower edge of said one or more sidewalls.

10. A toy brick according to claim 1, wherein said body part comprise a plurality of elongated ribs disposed on said inner and opposed faces of said sidewalls.

11. A toy brick according to claim 1, wherein said body part has a rectangular bottom face; and wherein said sidewalls extend from each of the sides of said rectangular underside; and wherein complementarily configured surfaces are arranged in pairs opposite each other on two parallel and opposite sidewalls.

12. A toy brick according to claim 1, wherein said toy brick constitutes a toy building brick.

\* \* \* \* \*

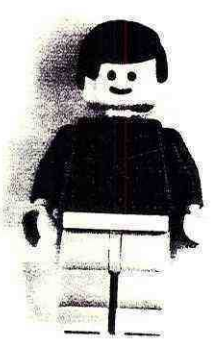
# **Exhibit 2**

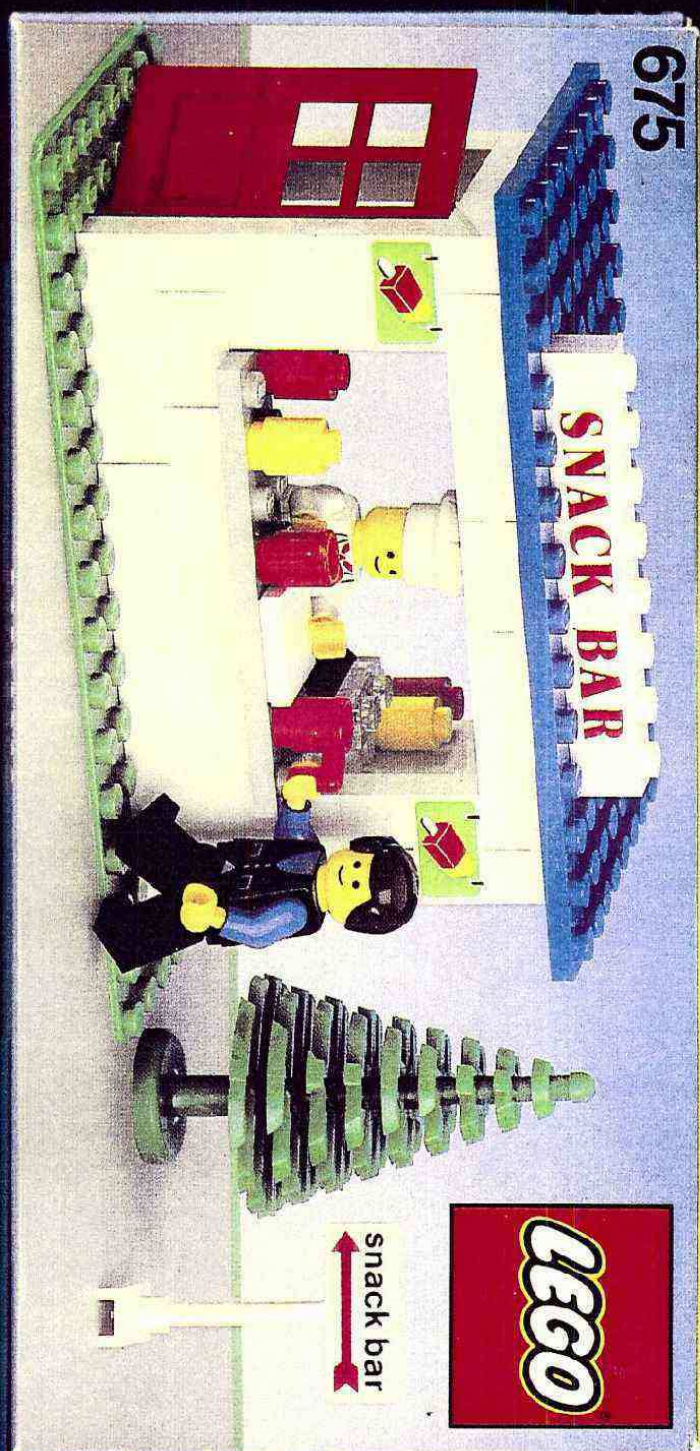


***COPY OF DEPOSIT***

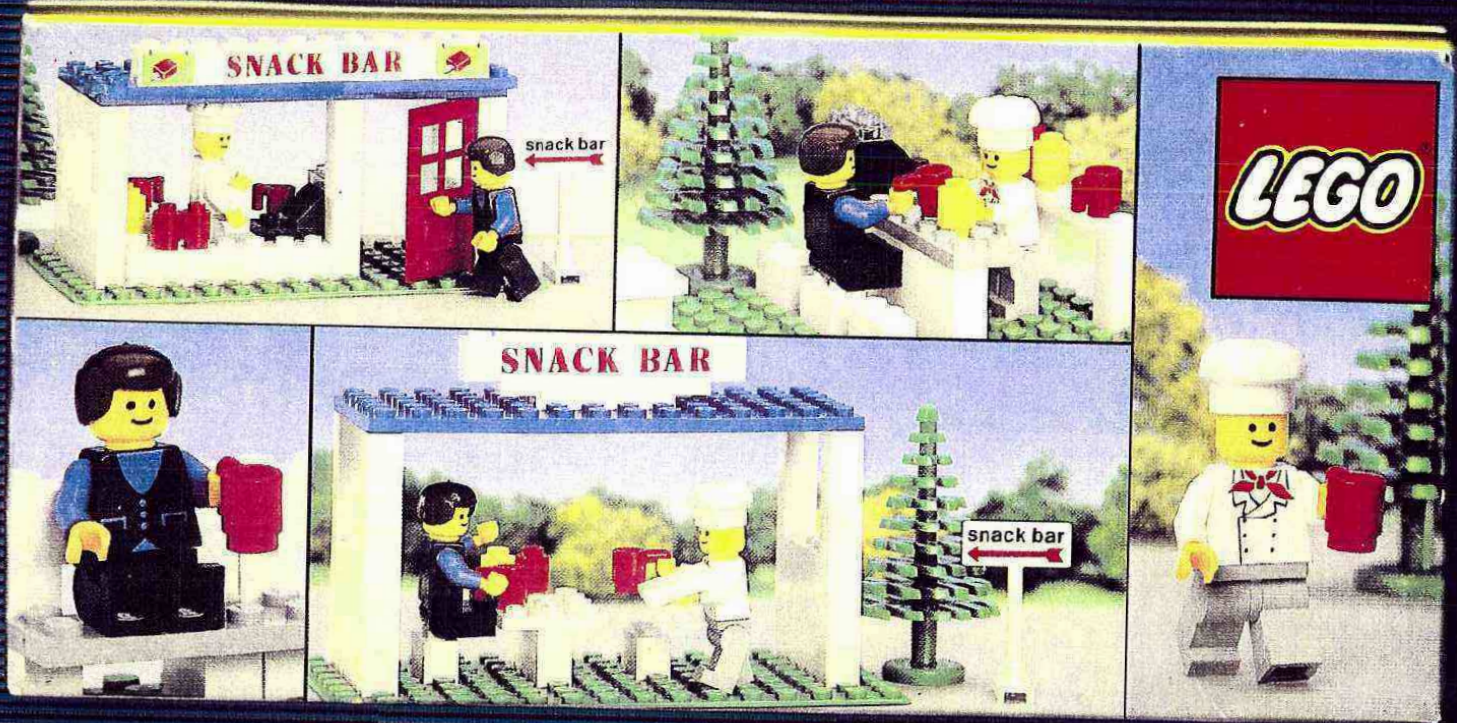
**VA 655-230**

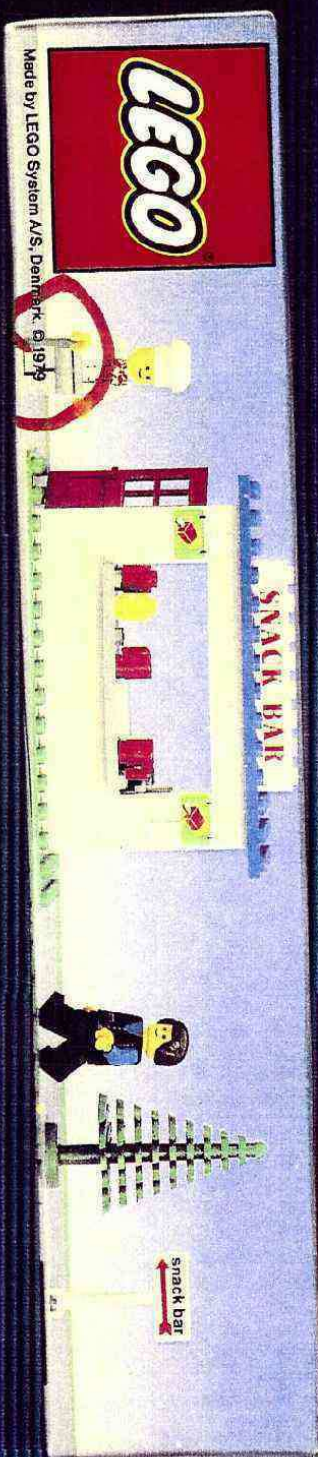
FIGURE WITH BROWN HAIR













# Exhibit 3



***COPY OF DEPOSIT***

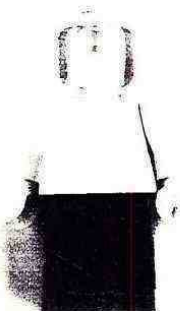
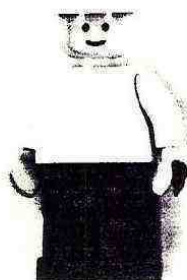
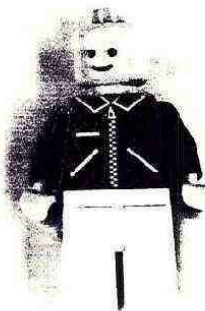
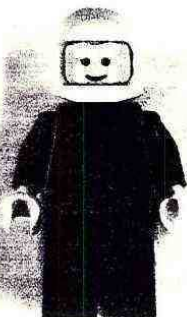
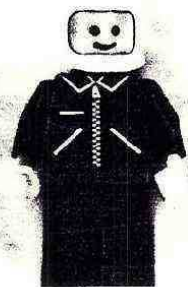
**VA 655-104**

VA 655-104

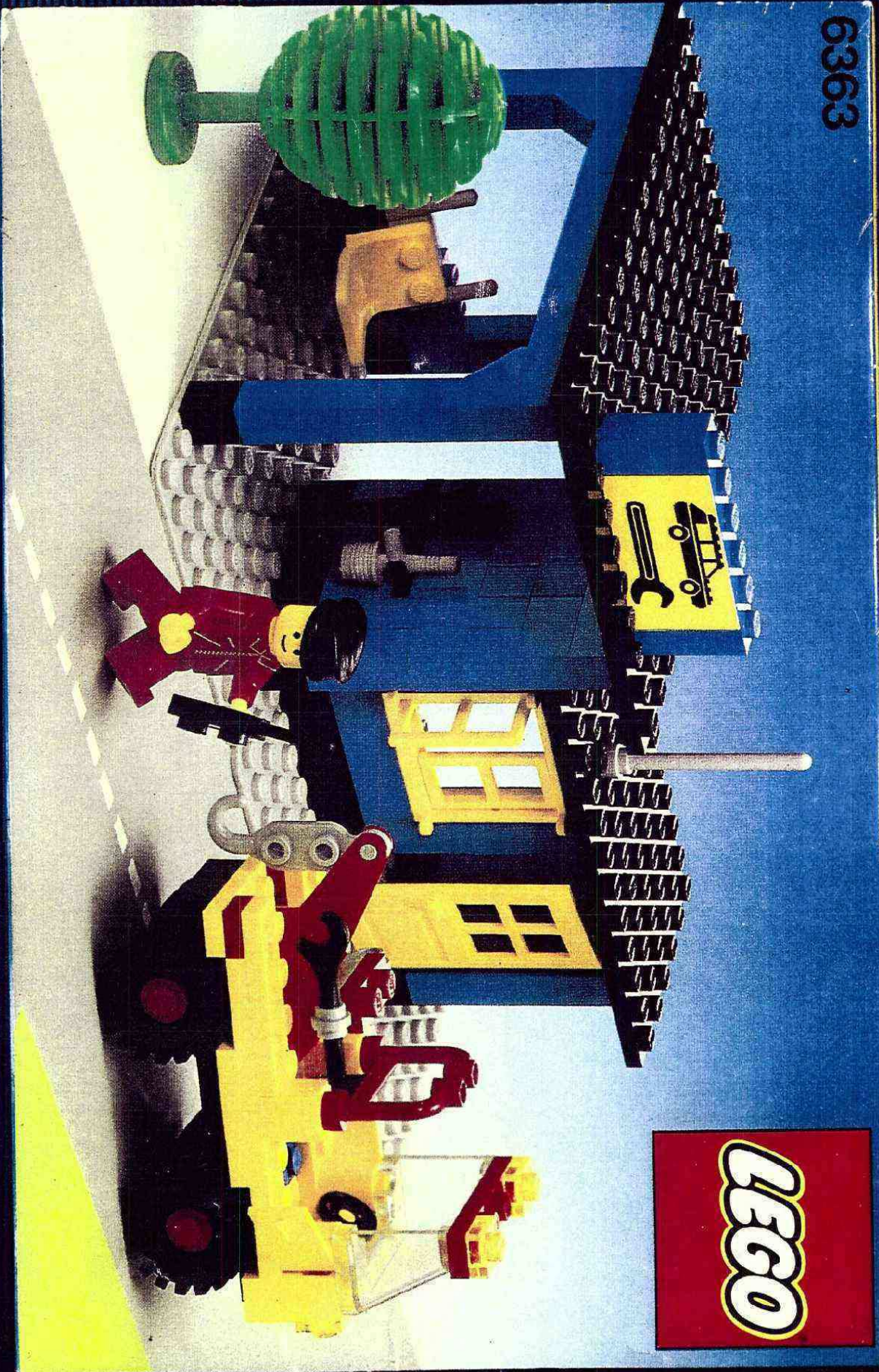


4100000655104

BASIC MINIFIGURES



6363



LEGO

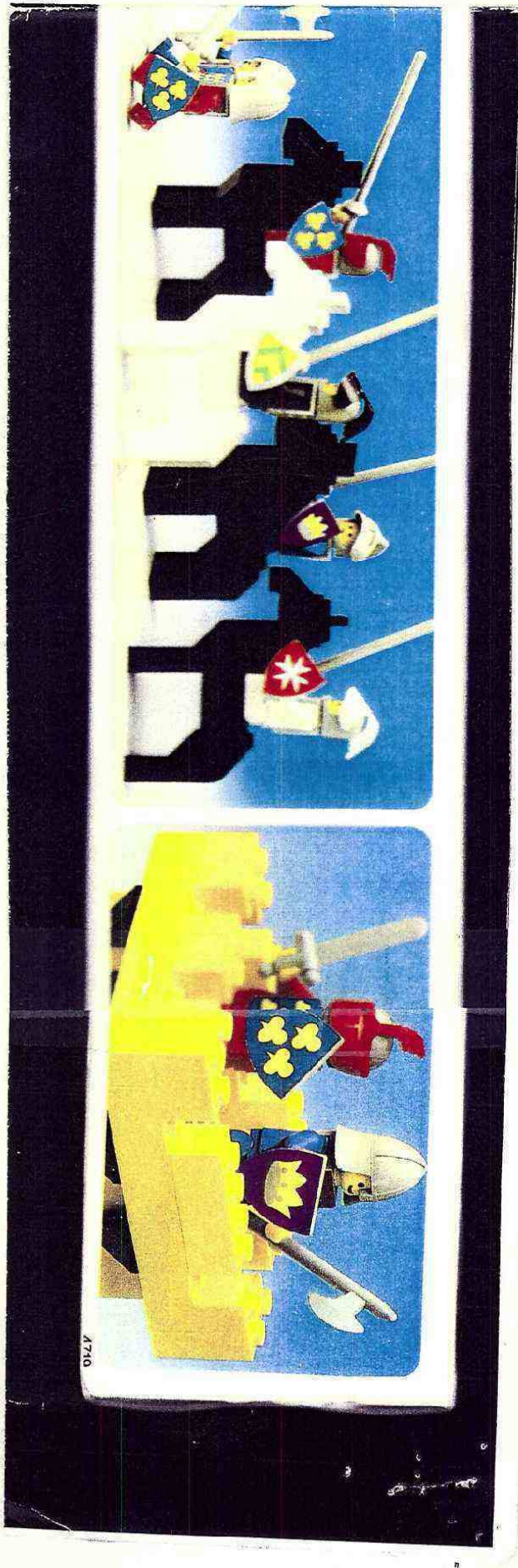
The LEGO logo is displayed in its characteristic white, bold, rounded font with a thick black outline and a yellow drop shadow, set against a solid red rectangular background.

Made by LEGO System A/S, Denmark © 1978

From 6 years  
Ab 6 Jahre  
A partir de 6 ans  
A partir de 6 años  
Fra 6 år







4740

# Exhibit 4

LIBRARY OF CONGRESS

*Copyright Office  
of the United States*

WASHINGTON, D.C.

**THIS IS TO CERTIFY** that the attached color photocopies are a true representation of the work entitled **FIGURE WITH CAPRI PANTS** deposited in the Copyright Office with claim of copyright registered under **VA 1-876-291**.

**THIS IS TO CERTIFY ALSO**, that due to the nature of the work deposited, the attached color photocopies are the best possible electrostatic positive prints available.

**THIS IS TO CERTIFY FURTHER**, that deposits submitted electronically bear no identifying marks.

**IN WITNESS WHEREOF**, the seal of this Office is affixed hereto on April 25, 2014.

Maria A. Pallante  
Register of Copyrights

*Veronica Patten*

By: Veronica Patten  
Supervisory Copyright Specialist  
Records Research and Certification Section  
Office of Public Records and Repositories



Use of this material is governed by the U.S. copyright law 17 U.S.C. 101 et seq.







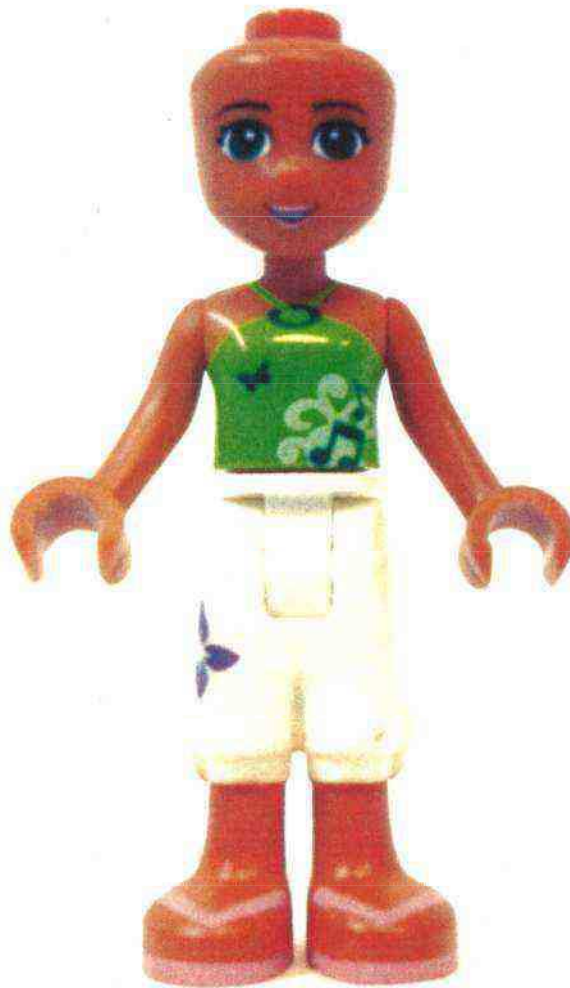
Case 3:18-cv-02045-AWT Document 94-4 Filed 07/22/19 Page 5 of 12



Case 3:18-cv-02045-AWT Document 94-4 Filed 07/22/19 Page 6 of 12















# **Exhibit 5**

LIBRARY OF CONGRESS

*Copyright Office  
of the United States*

WASHINGTON, D.C.

**THIS IS TO CERTIFY** that the attached color photocopies are a true representation of the work entitled **FIGURE WITH ROLLED SHORTS** deposited in the Copyright Office with claim of copyright registered under **VA 1-876-279**.

**THIS IS TO CERTIFY ALSO**, that due to the nature of the work deposited, the attached color photocopies are the best possible electrostatic positive prints available.

**THIS IS TO CERTIFY FURTHER**, that deposits submitted electronically bear no identifying marks.

**IN WITNESS WHEREOF**, the seal of this Office is affixed hereto on April 25, 2014.



Maria A. Pallante  
Register of Copyrights

*Veronica Patten*

By: Veronica Patten  
Supervisory Copyright Specialist  
Records Research and Certification Section  
Office of Public Records and Repositories

Use of this material is governed by the U.S. copyright law 17 U.S.C. 101 et seq.















# **Exhibit 6**

LIBRARY OF CONGRESS

Copyright Office  
of the United States

WASHINGTON, D.C.

**THIS IS TO CERTIFY** that the attached color photocopies are a true representation of the work entitled **FIGURE WITH SKIRT** deposited in the Copyright Office with claim of copyright registered under **VA 1-876-378**.

**THIS IS TO CERTIFY ALSO**, that due to the nature of the work deposited, the attached color photocopies are the best possible electrostatic positive prints available.

**THIS IS TO CERTIFY FURTHER**, that deposits submitted electronically bear no identifying marks.

**IN WITNESS WHEREOF**, the seal of this Office is affixed hereto on April 25, 2014.

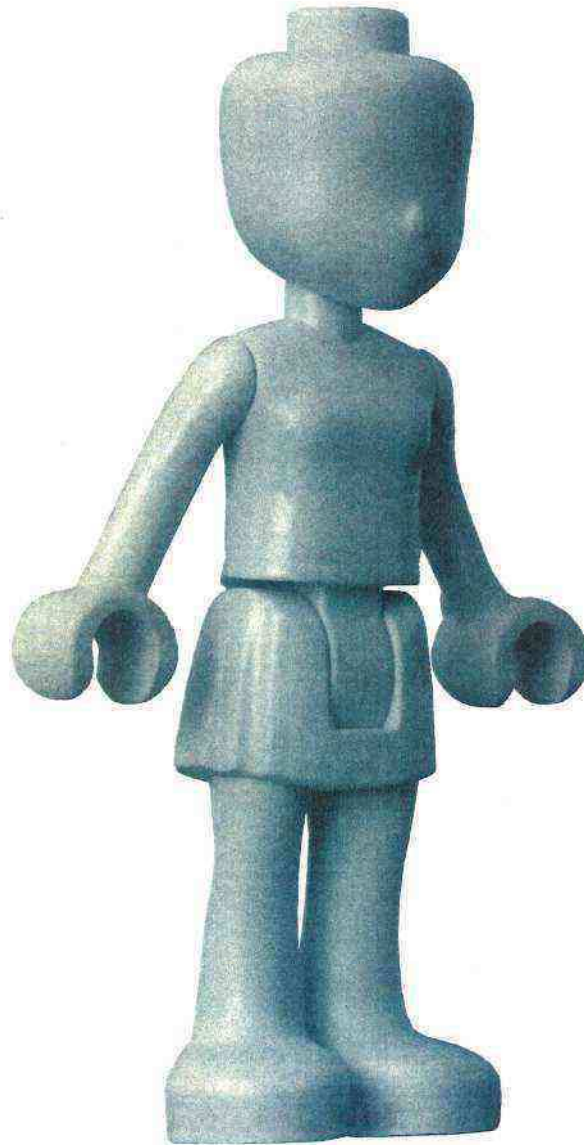
Maria A. Pallante  
Register of Copyrights



By: Veronica Patten  
Supervisory Copyright Specialist  
Records Research and Certification Section  
Office of Public Records and Repositories



Use of this material is governed by the U.S. copyright law 17 U.S.C. 101 et seq.



















# **Exhibit 7**



LIBRARY OF CONGRESS

Copyright Office  
of the United States

WASHINGTON, D.C.

**THIS IS TO CERTIFY** that the attached color photocopies are a true representation of the work entitled **FIGURE WITH TIERED SKIRT** deposited in the Copyright Office with claim of copyright registered under **VA 1-876-373**.

**THIS IS TO CERTIFY ALSO**, that due to the nature of the work deposited, the attached color photocopies are the best possible electrostatic positive prints available.

**THIS IS TO CERTIFY FURTHER**, that deposits submitted electronically bear no identifying marks.

**IN WITNESS WHEREOF**, the seal of this Office is affixed hereto on April 25, 2014.

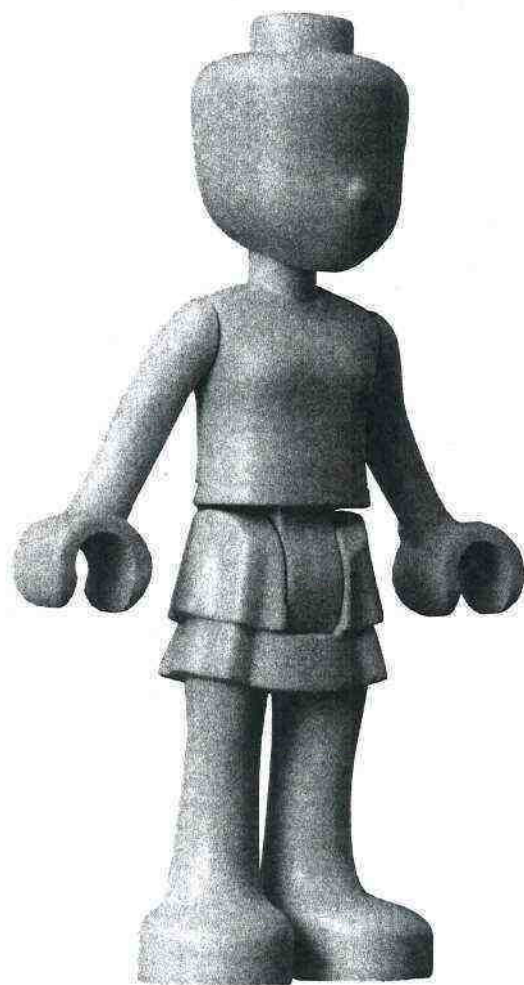
Maria A. Pallante  
Register of Copyrights



By: Veronica Patten  
Supervisory Copyright Specialist  
Records Research and Certification Section  
Office of Public Records and Repositories



Use of this material is governed by the U.S. copyright law 17 U.S.C. 101 et seq.











# **Exhibit 8**

# United States of America

United States Patent and Trademark Office



**Reg. No. 4,903,968**

**Registered Feb. 23, 2016**

**Int. Cl.: 28**

**TRADEMARK**

**PRINCIPAL REGISTER**

LEGO JURIS A/S (DENMARK CORPORATION)  
KOLDINGVEJ 2  
BILLUND DK-7190, DENMARK

FOR: TOY FIGURES; PLAY FIGURES; POSITIONABLE TOY FIGURES; MODELED PLASTIC TOY FIGURINES; THREE DIMENSIONAL POSITIONABLE TOY FIGURES SOLD AS A UNIT WITH OTHER TOYS; CONSTRUCTION TOYS; TOY CONSTRUCTION SETS, IN CLASS 28 (U.S. CLS. 22, 23, 38 AND 50).

OWNER OF ERPN CMNTY TM OFC REG. NO. 000050450, DATED 4-18-2000, EXPIRES 4-1-2016.

OWNER OF U.S. REG. NO. 4,520,327.

THE MARK CONSISTS OF THE THREE-DIMENSIONAL CONFIGURATION OF A TOY FIGURE FEATURING A CYLINDRICAL HEAD, ON TOP OF A CYLINDRICAL NECK, ON TOP OF A TRAPEZOIDAL TORSO OF UNIFORM THICKNESS, WITH FLAT SIDES AND A FLAT BACK, WHERE ARMS ARE MOUNTED SLIGHTLY BELOW THE UPPER SURFACE OF THE TORSO, ON TOP OF A RECTANGULAR PLATE, ON TOP OF LEGS WHICH BULGE FRONTWARDS AT THE TOP AND ARE OTHERWISE RECTANGULAR WITH UNIFORM THICKNESS, ON TOP OF FLAT SQUARE FEET.

SEC. 2(F).

SER. NO. 86-537,461, FILED 2-17-2015.

ELLEN B. AWRICH, EXAMINING ATTORNEY



*Michelle K. Lee*

Director of the United States  
Patent and Trademark Office



**REQUIREMENTS TO MAINTAIN YOUR FEDERAL  
TRADEMARK REGISTRATION**

**WARNING: YOUR REGISTRATION WILL BE CANCELLED IF YOU DO NOT FILE THE  
DOCUMENTS BELOW DURING THE SPECIFIED TIME PERIODS.**

**Requirements in the First Ten Years\***

**What and When to File:**

*First Filing Deadline:* You must file a Declaration of Use (or Excusable Nonuse) between the 5th and 6th years after the registration date. See 15 U.S.C. §§1058, 1141k. If the declaration is accepted, the registration will continue in force for the remainder of the ten-year period, calculated from the registration date, unless cancelled by an order of the Commissioner for Trademarks or a federal court.

*Second Filing Deadline:* You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between the 9th and 10th years after the registration date.\* See 15 U.S.C. §1059.

**Requirements in Successive Ten-Year Periods\***

**What and When to File:**

You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between every 9th and 10th-year period, calculated from the registration date.\*

**Grace Period Filings\***

The above documents will be accepted as timely if filed within six months after the deadlines listed above with the payment of an additional fee.

**\*ATTENTION MADRID PROTOCOL REGISTRANTS:** The holder of an international registration with an extension of protection to the United States under the Madrid Protocol must timely file the Declarations of Use (or Excusable Nonuse) referenced above directly with the United States Patent and Trademark Office (USPTO). The time periods for filing are based on the U.S. registration date (not the international registration date). The deadlines and grace periods for the Declarations of Use (or Excusable Nonuse) are identical to those for nationally issued registrations. See 15 U.S.C. §§1058, 1141k. However, owners of international registrations do not file renewal applications at the USPTO. Instead, the holder must file a renewal of the underlying international registration at the International Bureau of the World Intellectual Property Organization, under Article 7 of the Madrid Protocol, before the expiration of each ten-year term of protection, calculated from the date of the international registration. See 15 U.S.C. §1141j. For more information and renewal forms for the international registration, see <http://www.wipo.int/madrid/en/>.

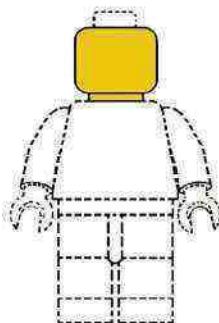
**NOTE: Fees and requirements for maintaining registrations are subject to change. Please check the USPTO website for further information. With the exception of renewal applications for registered extensions of protection, you can file the registration maintenance documents referenced above online at <http://www.uspto.gov>.**

**NOTE: A courtesy e-mail reminder of USPTO maintenance filing deadlines will be sent to trademark owners/holders who authorize e-mail communication and maintain a current e-mail address with the USPTO. To ensure that e-mail is authorized and your address is current, please use the Trademark Electronic Application System (TEAS) Correspondence Address and Change of Owner Address Forms available at <http://www.uspto.gov>.**

# Exhibit 9

# United States of America

United States Patent and Trademark Office



**Reg. No. 4,520,327**

**Registered Apr. 29, 2014**

**Int. Cl.: 28**

**TRADEMARK**

**PRINCIPAL REGISTER**

LEGO JURIS A/S (DENMARK CORPORATION)  
KOLDINGVEJ 2  
BILLUND, DK-7190, DENMARK

FOR: TOY FIGURES; PLAY FIGURES; POSITIONABLE TOY FIGURES; MODELED PLASTIC TOY FIGURINES; THREE DIMENSIONAL POSITIONABLE TOY FIGURES SOLD AS A UNIT WITH OTHER TOYS; CONSTRUCTION TOYS; TOY CONSTRUCTION SETS, IN CLASS 28 (U.S. CLS. 22, 23, 38 AND 50).

FIRST USE 0-0-1978; IN COMMERCE 0-0-1978.

THE MARK CONSISTS OF A 3-DIMENSIONAL CONFIGURATION OF A CYLINDRICAL YELLOW TOY FIGURE HEAD, ON TOP OF A YELLOW CYLINDRICAL NECK. THE DOTS OUTLINING THE TOY FIGURE SHOW THE PLACEMENT OF THE MARK ON THE GOODS AND ARE NOT PART OF THE MARK.

THE COLOR(S) YELLOW IS/ARE CLAIMED AS A FEATURE OF THE MARK.

SEC. 2(F).

SER. NO. 85-896,559, FILED 4-5-2013.

DAVID TOOLEY, EXAMINING ATTORNEY



*Michelle K. Lee*

Deputy Director of the United States  
Patent and Trademark Office

**REQUIREMENTS TO MAINTAIN YOUR FEDERAL  
TRADEMARK REGISTRATION**

**WARNING: YOUR REGISTRATION WILL BE CANCELLED IF YOU DO NOT FILE THE  
DOCUMENTS BELOW DURING THE SPECIFIED TIME PERIODS.**

**Requirements in the First Ten Years\***

**What and When to File:**

**First Filing Deadline:** You must file a Declaration of Use (or Excusable Nonuse) between the 5th and 6th years after the registration date. *See* 15 U.S.C. §§1058, 1141k. If the declaration is accepted, the registration will continue in force for the remainder of the ten-year period, calculated from the registration date, unless cancelled by an order of the Commissioner for Trademarks or a federal court.

**Second Filing Deadline:** You must file a Declaration of Use (or Excusable Nonuse) **and** an Application for Renewal between the 9th and 10th years after the registration date.\*  
*See* 15 U.S.C. §1059.

**Requirements in Successive Ten-Year Periods\***

**What and When to File:**

You must file a Declaration of Use (or Excusable Nonuse) **and** an Application for Renewal between every 9th and 10th-year period, calculated from the registration date.\*

**Grace Period Filings\***

The above documents will be accepted as timely if filed within six months after the deadlines listed above with the payment of an additional fee.

**The United States Patent and Trademark Office (USPTO) will NOT send you any future notice or reminder of these filing requirements.**

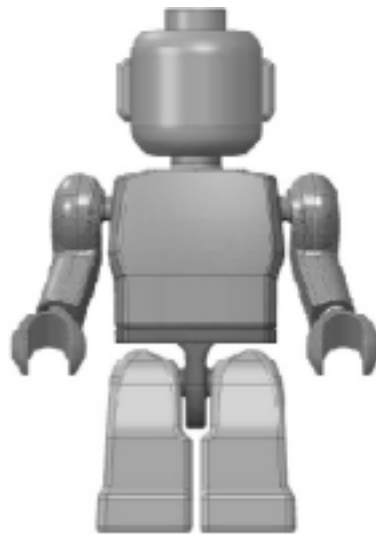
**\*ATTENTION MADRID PROTOCOL REGISTRANTS:** The holder of an international registration with an extension of protection to the United States under the Madrid Protocol must timely file the Declarations of Use (or Excusable Nonuse) referenced above directly with the USPTO. The time periods for filing are based on the U.S. registration date (not the international registration date). The deadlines and grace periods for the Declarations of Use (or Excusable Nonuse) are identical to those for nationally issued registrations. *See* 15 U.S.C. §§1058, 1141k. However, owners of international registrations do not file renewal applications at the USPTO. Instead, the holder must file a renewal of the underlying international registration at the International Bureau of the World Intellectual Property Organization, under Article 7 of the Madrid Protocol, before the expiration of each ten-year term of protection, calculated from the date of the international registration. *See* 15 U.S.C. §1141j. For more information and renewal forms for the international registration, see <http://www.wipo.int/madrid/en/>.

**NOTE:** Fees and requirements for maintaining registrations are subject to change. Please check the USPTO website for further information. With the exception of renewal applications for registered extensions of protection, you can file the registration maintenance documents referenced above online at <http://www.uspto.gov>.

# **Exhibit 10**



Accused MAX Build More Figures

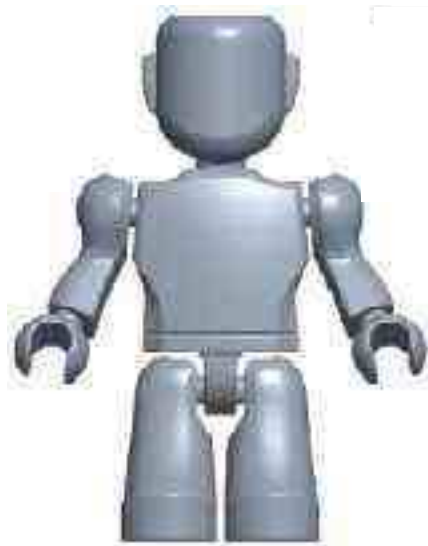


Representative Image of Accused MAX Build More Figure

# **Exhibit 11**



Illustrations of Redesigned MAX Build More Figures



Representative Redesigned MAX Build More Figure



# **Exhibit 12**



Accused Images on MAX Build More 15 MAX Figures



Accused Image on MAX Build More Building Bricks Value Sets



Accused Images on MAX Build More Base Plate



Accused Images on MAYKA Toy Block Tape

# **Exhibit 13**



Redesigned MAX Build More 15 MAX Figures Packaging



Redesigned MAX Build More Value Set Packaging







Redesigned Toy Block Tape Packaging



Redesigned Toy Block Tape Packaging

# **Exhibit 14**



Accused Friends Image on MAYKA Packaging

# Exhibit 15



Redesigned Toy Block Tape Packaging



Redesigned Toy Block Tape Packaging



# **Exhibit 16**

**Int. Cl.: 28**

**Prior U.S. Cls.: 22, 23, 38 and 50**

**Reg. No. 2,273,314**

**United States Patent and Trademark Office**

**Registered Aug. 31, 1999**

**TRADEMARK  
PRINCIPAL REGISTER**



**KIRKBI AG (SWITZERLAND CORPORATION)  
NEUHOFSTRASSE 21  
CH-6340  
BAAR, SWITZERLAND**

**FOR: TOY VEHICLES; TOY FIGURES AND  
CONSTRUCTION TOYS, IN CLASS 28 (U.S.  
CLS. 22, 23, 38 AND 50).**

**FIRST USE 0-0-1961; IN COMMERCE  
0-0-1961.**

**THE MARK CONSISTS OF A CYLINDRICAL  
SURFACE FEATURE AND IS NOT THE CON-  
FIGURATION OF ENTIRE PRODUCT OR  
PACKAGING.**

**SEC. 2(F).**

**SER. NO. 75-281,464, FILED 4-25-1997.**

**SALLY SHIN, EXAMINING ATTORNEY**

# **Exhibit 17**

**Int. Cl.: 28**

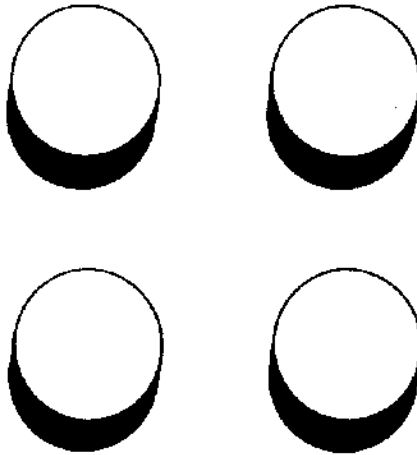
**Prior U.S. Cls.: 22, 23, 38 and 50**

**Reg. No. 2,273,321**

**United States Patent and Trademark Office**

**Registered Aug. 31, 1999**

**TRADEMARK  
PRINCIPAL REGISTER**



**KIRKBI AG (SWITZERLAND CORPORATION)  
NEUHOFSTRASSE 21  
CH-6340  
BAAR, SWITZERLAND**

**FOR: TOY FIGURES AND CONSTRUCTION  
TOYS, IN CLASS 28 (U.S. CLS. 22, 23, 38 AND  
50).**

**FIRST USE 0-0-1961; IN COMMERCE  
0-0-1961.**

**THE MARK CONSISTS OF FOUR CYLINDRI-  
CAL SURFACE FEATURE ON PACKAGING  
AND IS NOT THE CONFIGURATION OF THE  
ENTIRE PACKAGING.**

**SEC. 2(F).**

**SER. NO. 75-289,201, FILED 5-9-1997.**

**SALLY SHIN, EXAMINING ATTORNEY**

# **Exhibit 18**

Int. Cl.: 28

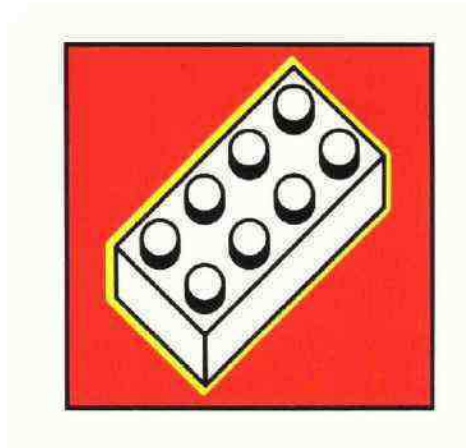
Prior U.S. Cls.: 22, 23, 38 and 50

Reg. No. 2,922,658

United States Patent and Trademark Office

Registered Feb. 1, 2005

TRADEMARK  
PRINCIPAL REGISTER



KIRKBI AG (SWITZERLAND CORPORATION)  
NEUHOFSTRASSE 21  
CH-6340 BAAR, SWITZERLAND

FOR: CONSTRUCTION TOYS, IN CLASS 28 (U.S.  
CLS. 22, 23, 38 AND 50).

FIRST USE 10-26-1987; IN COMMERCE 10-26-1987.

OWNER OF U.S. REG. NOS. 1,834,745, 2,273,321  
AND OTHERS.

THE COLORS RED, BLACK, YELLOW, WHITE  
ARE CLAIMED AS A FEATURE OF THE MARK.

THE MARK COMPRISES A RED SQUARE, OUT-  
LINED IN BLACK, WITHIN WHICH APPEARS IN  
WHITE, OUTLINED IN YELLOW, A FANCIFUL  
REPRESENTATION OF THE TOP PORTION OF A  
BUILDING BLOCK HAVING EIGHT STUDS.

THE MARK INCLUDES A STYLIZED DEPICT-  
TION OF THE TOP PORTION OF A BUILDING  
BLOCK. HOWEVER, THE WHOLE MARK IS OB-  
VIOUSLY A LOGO, NOT A PRODUCT CONFIG-  
URATION.

SER. NO. 78-250,294, FILED 5-15-2003.

JAMES A. RAUEN, EXAMINING ATTORNEY

# **Exhibit 19**



Accused "stud" Logo



Accused "stud" Container Lid  
for MAX Build More Value Sets





Accused "stud" Bricks



Accused "stud" Packaging

# **Exhibit 20**



Redesigned MAX Build More Logo



Redesigned MAX Build More 15 MAX Figures Packaging



Redesigned MAX Build More Value Set Packaging



Redesigned Toy Block Tape Packaging



Redesigned Toy Block Tape Packaging



# **Exhibit 21**



Accused MAX Build More and MAYKA Logos

# **Exhibit 22**



Redesigned MAX Build More and Toy Block Tape Logos

# **Exhibit 23**



US00D701923S

(12) **United States Design Patent** (10) **Patent No.:** **US D701,923 S**  
**Jensen** (45) **Date of Patent:** **\*\* Apr. 1, 2014**

(54) **BUILDING BLOCK FROM A TOY BUILDING SET**

(71) Applicant: **Lego A/S, Billund (DK)**

(72) Inventor: **Stefan Jensen, Odense SV (DK)**

(73) Assignee: **Lego A/S, Billund (DK)**

(\*\*) Term: **14 Years**

(21) Appl. No.: **29/454,978**

(22) Filed: **May 16, 2013**

(30) **Foreign Application Priority Data**

Nov. 16, 2012 (EM) ..... 002137190

(51) **LOC (10) CL** ..... **21-01**

(52) **U.S. CL**

USPC ..... **D21/500**

(58) **Field of Classification Search**

USPC ..... 1021/453, 484, 489, 490, 492, 493, 504,  
 D21/505, 564, 565, 802, 818; 446/168 174,  
 446/84, 89, 108, 112, 114, 116, 124-128,  
 446/429, 444-447; 463/58-69; 104/60, 69

See application file for complete search history.

(56) **References Cited**

U.S. PATENT DOCUMENTS

3,234,683	A *	2/1966	Christiansen	446/103
D324,084	S *	2/1992	Knudsen	D21/500
D336,120	S *	6/1993	Knudsen	D21/500
D368,497	S *	4/1996	Schmidt et al.	D21/501
D378,837	S *	4/1997	Olsen et al.	D21/500

\* cited by examiner

*Primary Examiner* — Cynthia M Chin

(74) *Attorney, Agent, or Firm* — Day Pitney LLP

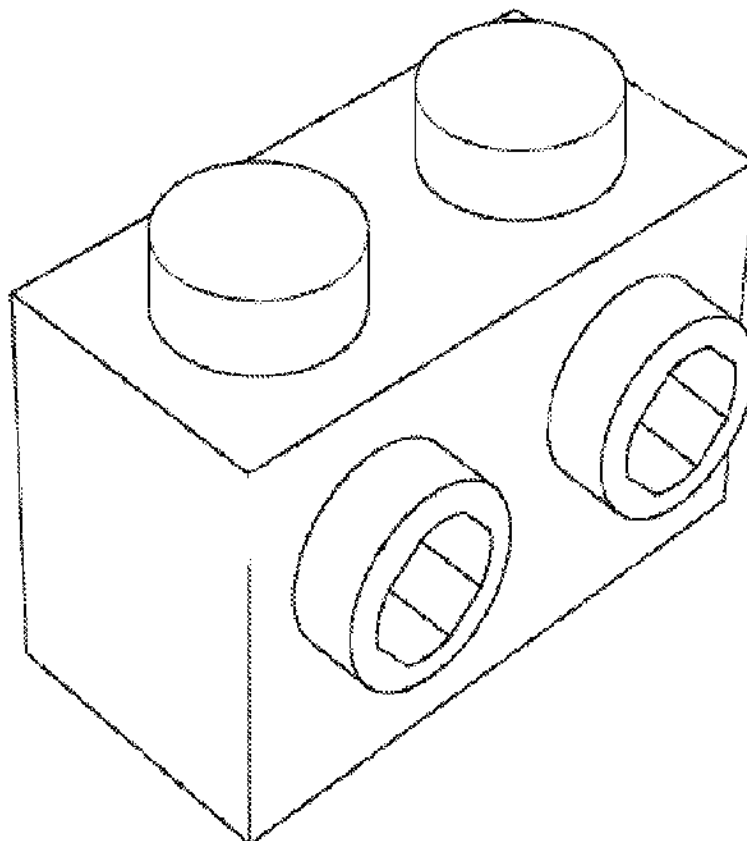
(57) **CLAIM**

The ornamental design for a building block from a toy building set, as shown and described.

**DESCRIPTION**

FIG. 1 is a top plan view of my ornamental design for a building block from a toy building set;  
 FIG. 2 is a bottom view thereof;  
 FIG. 3 is a left side view thereof;  
 FIG. 4 is a front side view thereof;  
 FIG. 5 is a right side view thereof;  
 FIG. 6 is a rear side view thereof; and,  
 FIG. 7 is a top, front perspective view thereof.  
 The broken lines in each of the figures are for environmental purposes only and form no part of the claimed design.

**1 Claim, 7 Drawing Sheets**

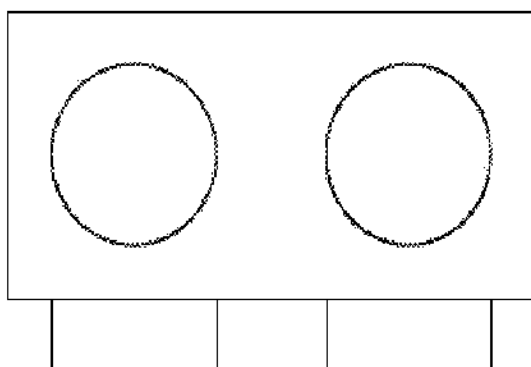


**U.S. Patent**

**Apr. 1, 2014**

**Sheet 1 of 7**

**US D701,923 S**



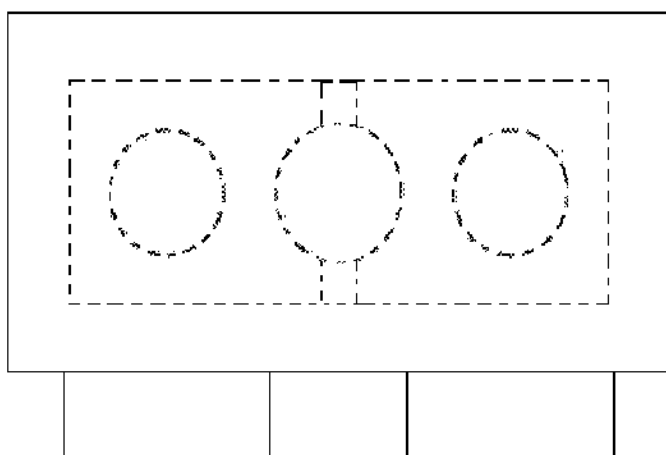
**FIG. 1**

**U.S. Patent**

**Apr. 1, 2014**

**Sheet 2 of 7**

**US D701,923 S**



**FIG. 2**

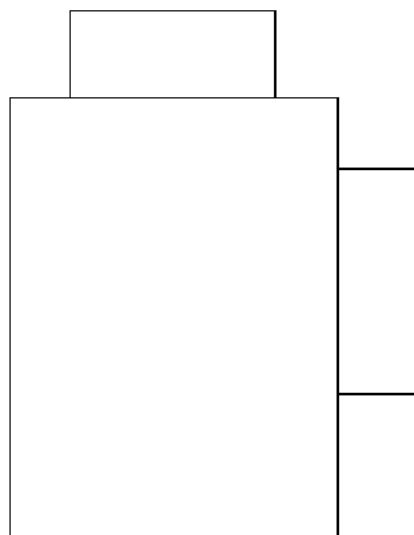


**U.S. Patent**

**Apr. 1, 2014**

**Sheet 3 of 7**

**US D701,923 S**



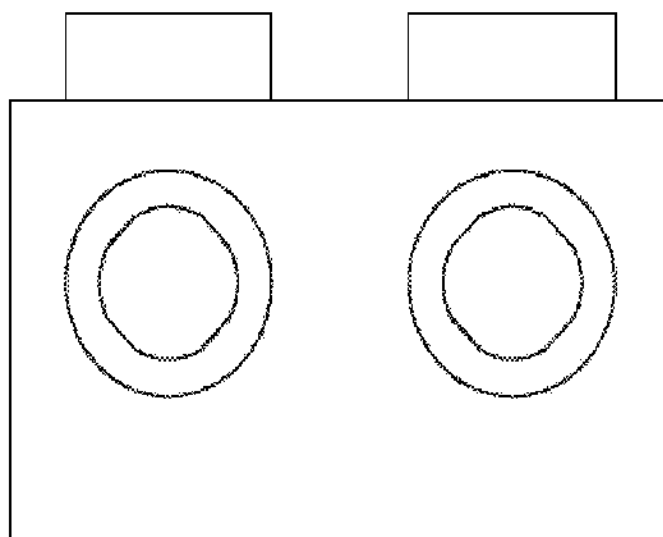
**FIG. 3**

**U.S. Patent**

**Apr. 1, 2014**

**Sheet 4 of 7**

**US D701,923 S**



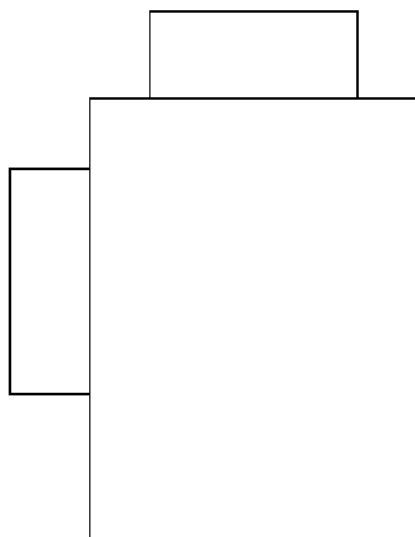
**FIG. 4**

**U.S. Patent**

**Apr. 1, 2014**

**Sheet 5 of 7**

**US D701,923 S**



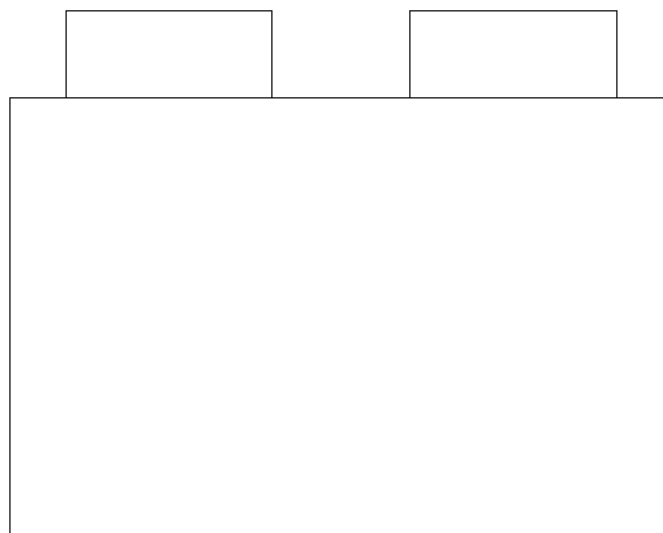
**FIG. 5**

**U.S. Patent**

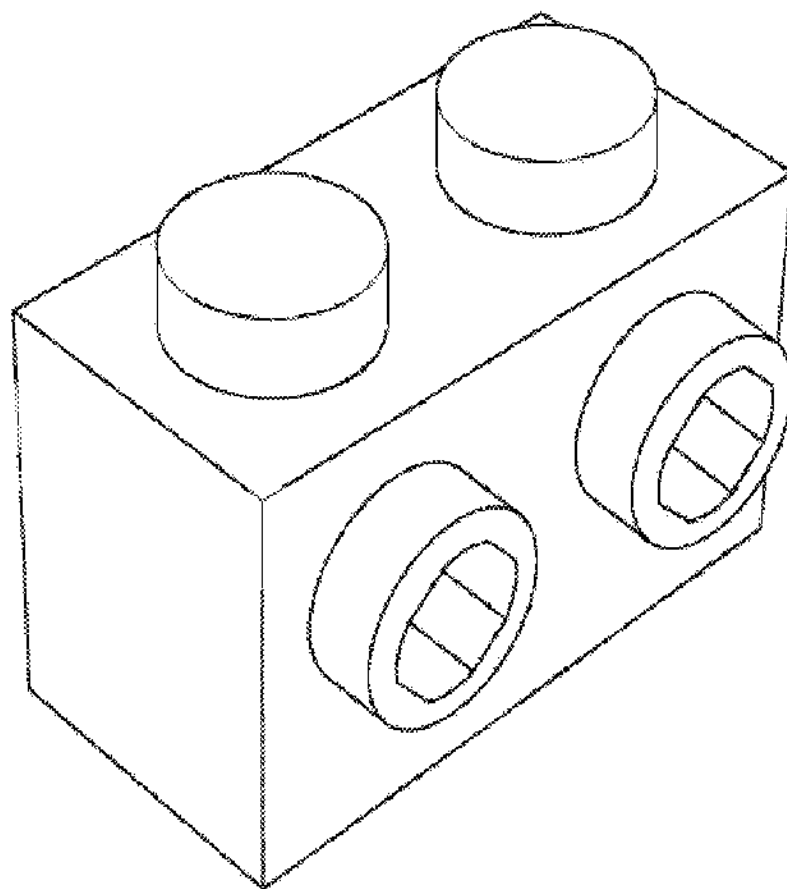
**Apr. 1, 2014**

**Sheet 6 of 7**

**US D701,923 S**



**FIG. 6**



**FIG. 7**

# **Exhibit 24**



US00D688328S

(12) **United States Design Patent**  
**Holm**

(10) **Patent No.:** **US D688,328 S**

(45) **Date of Patent:** **\*\* Aug. 20, 2013**

(54) **BUILDING BLOCK FROM A TOY BUILDING SET**

(75) **Inventor:** **Louise Holm, Aarhus (DK)**

(73) **Assignee:** **Lego A/S, Billund (DK)**

(\*\*) **Term:** **14 Years**

(21) **Appl. No.:** **29/410,286**

(22) **Filed:** **Jan. 6, 2012**

(30) **Foreign Application Priority Data**

Jul. 11, 2011 (EM) ..... 001284608

(51) **LOC (9) Cl.** ..... **21-01**

(52) **U.S. Cl.**

USPC ..... **D21/484; D21/504**

(58) **Field of Classification Search**

USPC ..... D21/453, 484, 489, 490, 492, 493,  
 D21/504, 505, 564, 565, 802, 818;  
 446/168-174, 84, 89, 108, 112, 114, 116,  
 446/124-128, 429, 444-447; 463/58-69;  
 104/60, 69

See application file for complete search history.

(56) **References Cited**

U.S. PATENT DOCUMENTS

2,119,921	A *	6/1938	Levy	446/116
D246,927	S *	1/1978	Christiansen	D21/486
4,270,303	A *	6/1981	Xanthopoulos et al.	446/115
D561,845	S *	2/2008	Glickman et al.	D21/492
D672,402	S *	12/2012	Macadam	D21/491

\* cited by examiner

*Primary Examiner* — Cynthia M Chin

(74) *Attorney, Agent, or Firm* — Day Pitney LLP

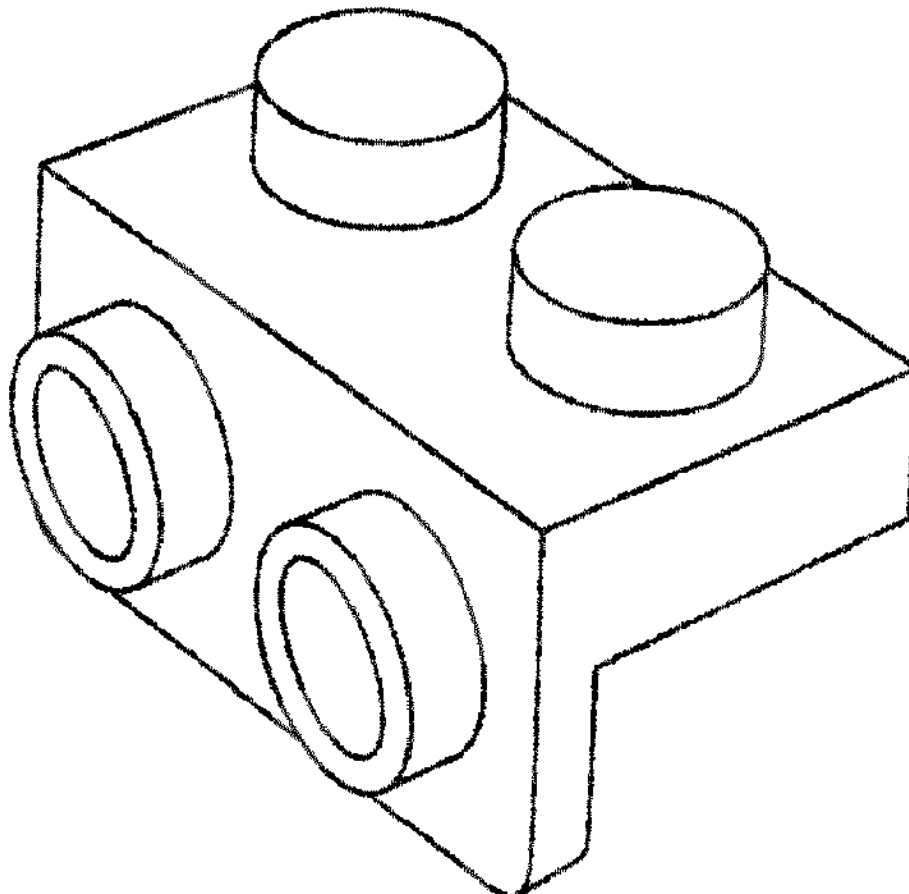
(57) **CLAIM**

The ornamental design for a building block from a toy building set, as shown and described.

**DESCRIPTION**

FIG. 1 is a top perspective view of my ornamental design for a building block from a toy building set;  
 FIG. 2 is a top plan view thereof;  
 FIG. 3 is a bottom plan view thereof;  
 FIG. 4 is a front view thereof;  
 FIG. 5 is a rear view thereof;  
 FIG. 6 is a right side view thereof; and,  
 FIG. 7 is a left side view thereof.  
 The broken lines in each of the figures are for environmental purposes only and form no part of the claimed design.

**1 Claim, 7 Drawing Sheets**

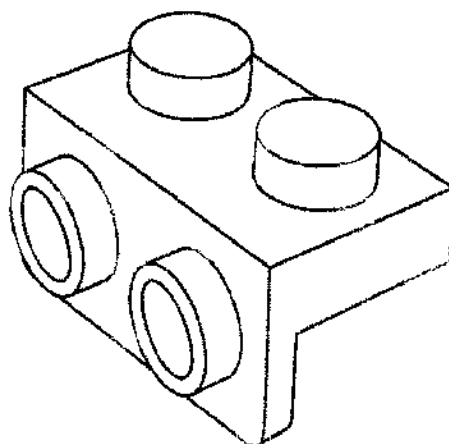


**U.S. Patent**

Aug. 20, 2013

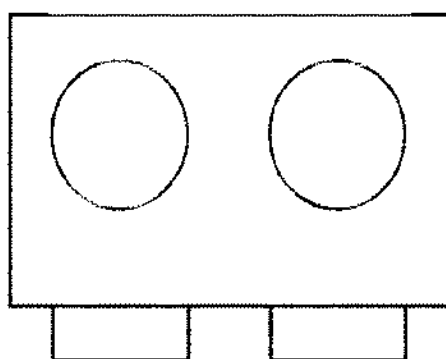
Sheet 1 of 7

**US D688,328 S**



**FIG. 1**





**FIG. 2**

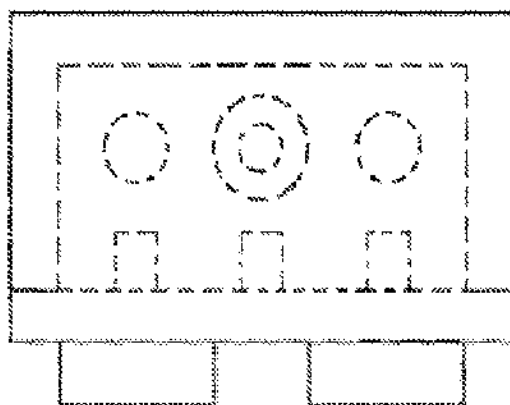
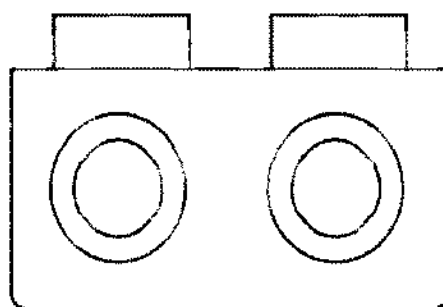


FIG. 3



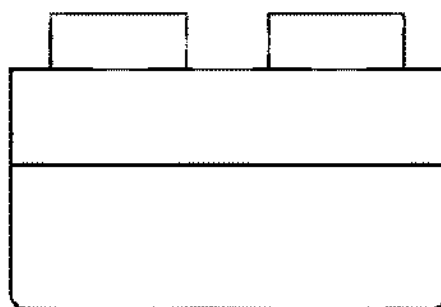
**FIG. 4**

**U.S. Patent**

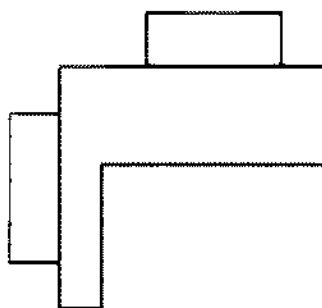
Aug. 20, 2013

Sheet 5 of 7

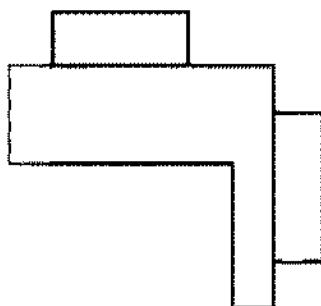
**US D688,328 S**



**FIG. 5**



**FIG. 6**



**FIG. 7**

# **Exhibit 25**



US00D641053S

**(12) United States Design Patent**  
**Sidenius**

(10) **Patent No.:** **US D641,053 S**

(45) **Date of Patent:** **\*\* Jul. 5, 2011**

(54) **ELEMENT OF A CONSTRUCTION SET**

(75) **Inventor:** **Hans Henrik Sidenius, Egtved (DK)**

(73) **Assignee:** **Lego A/S, Billund (DK)**

(\*\*) **Term:** **14 Years**

(21) **Appl. No.:** **29/366,744**

(22) **Filed:** **Jul. 29, 2010**

(30) **Foreign Application Priority Data**

Feb. 2, 2010 (DK) ..... 001664368

(51) **LOC (9) Cl. .... 21-01**

(52) **U.S. Cl. .... D21/494; D21/497**

(58) **Field of Classification Search** ..... D21/484,  
D21/485, 486, 489, 490, 491, 492, 493, 494,  
D21/495, 497, 499, 500 504; 446/69, 85,  
446/102-128; 434/208, 259, 403; 273/153,  
273/156, 160; 428/174

See application file for complete search history.

(56) **References Cited**

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D290,476 S \* 6/1987 Ryan et al. .... D21/497  
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D314,991 S \* 2/1991 Ryan ..... D21/485

D332,643 S \* 1/1993 Knudsen ..... D21/484  
D335,156 S \* 4/1993 Knudsen et al. .... D21/504  
D335,157 S \* 4/1993 Rahbek ..... D21/497  
D345,591 S \* 3/1994 Krentz ..... D21/497  
D371,581 S \* 7/1996 Jarnros ..... D21/494  
D411,594 S \* 6/1999 Harms ..... D21/564  
D601,642 S \* 10/2009 Talavera ..... D21/504

\* cited by examiner

*Primary Examiner* — Cynthia M Chin

(74) *Attorney, Agent, or Firm* Day Pitney LLP

(57) **CLAIM**

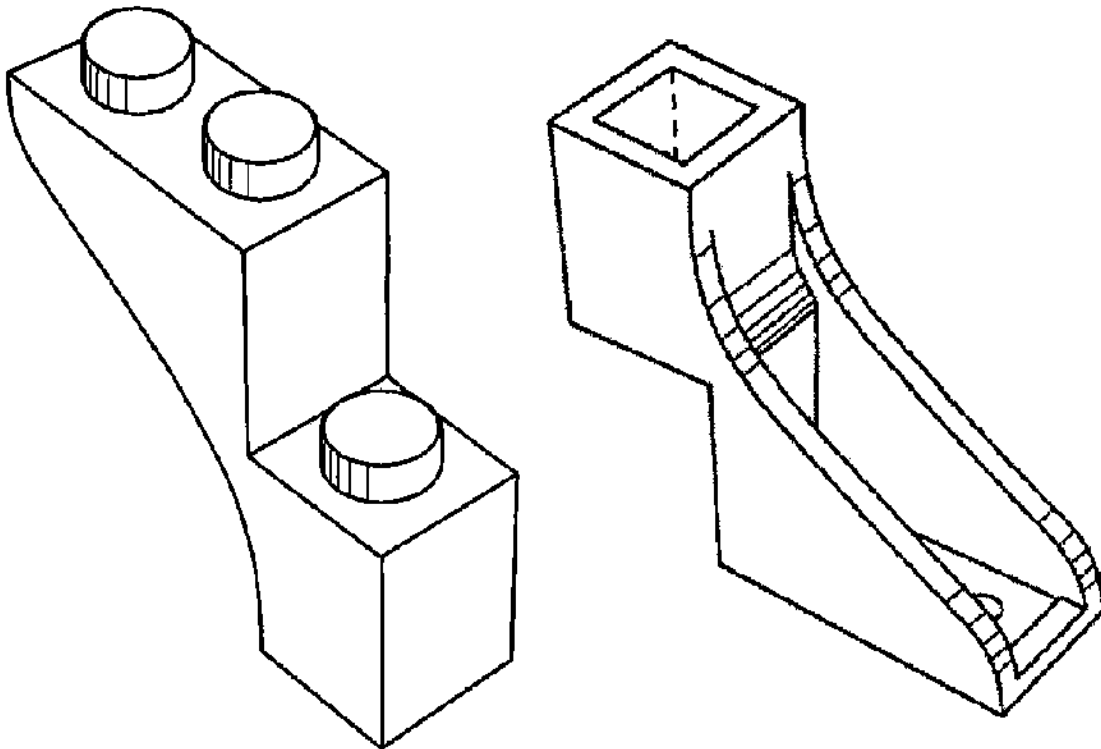
The ornamental design for an element of a construction set, as shown and described.

**DESCRIPTION**

FIG. 1 is a top perspective view of my ornamental design for an element of a construction set;  
FIG. 2 is a bottom perspective view thereof;  
FIG. 3 is a top plan view thereof;  
FIG. 4 is a bottom plan view thereof;  
FIG. 5 is a right side view thereof;  
FIG. 6 is a left side view thereof;  
FIG. 7 is a front view thereof; and,  
FIG. 8 is a rear view thereof.

The broken lines represent portions of the article that form no part of the claim.

**1 Claim, 8 Drawing Sheets**





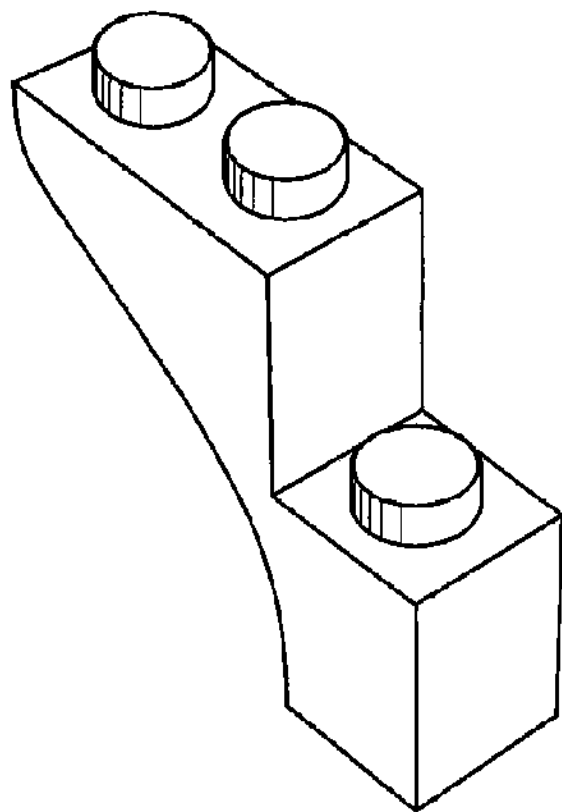
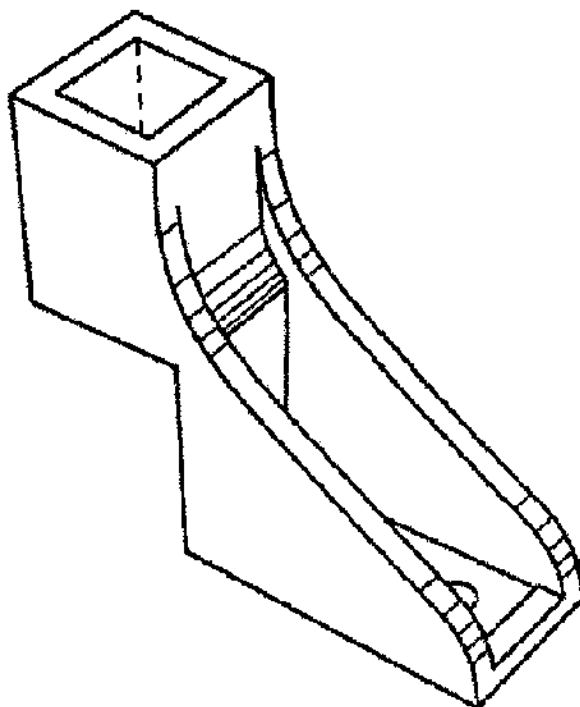


Fig. 1



**Fig. 2**

**U.S. Patent**

Jul. 5, 2011

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**US D641,053 S**

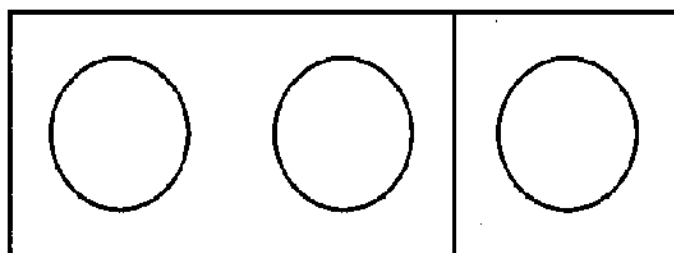
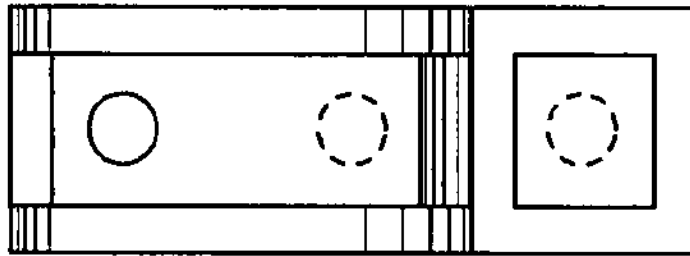


Fig. 3



**Fig. 4**

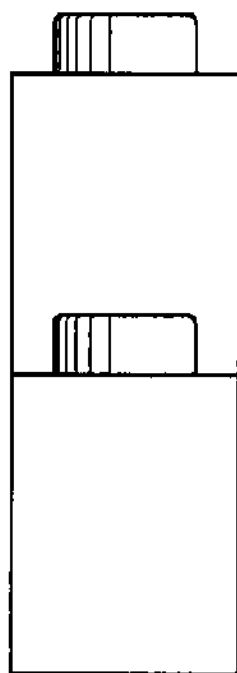


Fig. 5

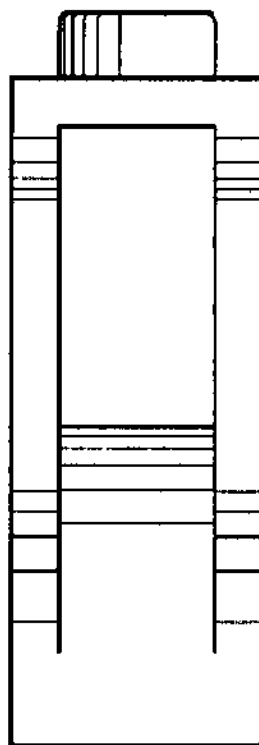


Fig. 6

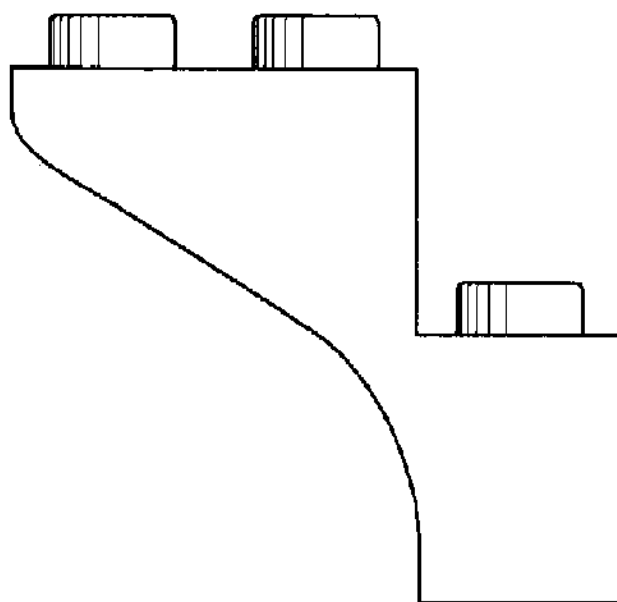


Fig. 7

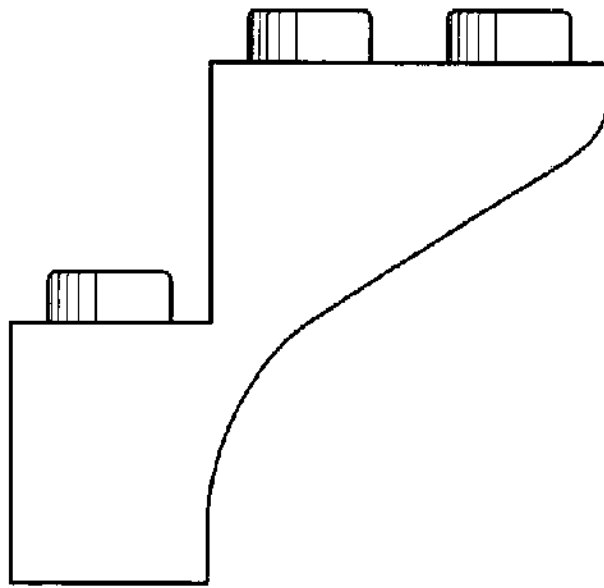


Fig. 8



# **Exhibit 26**



US00D614707S

(12) **United States Design Patent**  
**Ryaa**

(10) **Patent No.:** **US D614,707 S**  
(45) **Date of Patent:** **\*\* Apr. 27, 2010**

(54) **ELEMENT FOR A TOY CONSTRUCTION SET**

(75) **Inventor:** Jan Ryaa, Billund (DK)

(73) **Assignee:** LEGO A/S, Billund (DK)

(\*\*) **Term:** 14 Years

(21) **Appl. No.:** 29/315,659

(22) **Filed:** Jul. 14, 2009

(30) **Foreign Application Priority Data**

Jan. 27, 2009 (HM) ..... 001076178

(51) **LOC (9) Cl.** ..... **21-01**

(52) **U.S. Cl.** ..... **D21/501**

(58) **Field of Classification Search** ..... D21/484,  
D21/485, 486, 489-495, 499, 500-505; 446/69,  
446/85, 102 128; 434/208, 259, 403; 273/153,  
273/156. 160

See application file for complete search history.

(56) **References Cited**

U.S. PATENT DOCUMENTS

D308,705 S \* 6/1990 Olsen ..... D21/501  
D342,555 S \* 12/1993 Berggreen ..... D21/501  
D350,787 S \* 9/1994 Hojlund et al. .... D21/501  
D351,005 S \* 9/1994 Hojlund et al. .... D21/501  
D360,658 S \* 7/1995 Voldmester et al. .... D21/501  
D360,908 S \* 8/1995 Ruszkai ..... D21/501

D362,474 S \* 9/1995 Voldmester et al. .... D21/501  
D373,154 S \* 8/1996 Riis ..... D21/489  
D383,176 S \* 9/1997 Rasmussen et al. .... D21/501  
D385,589 S \* 10/1997 Rasmussen et al. .... D21/501  
D442,647 S \* 5/2001 Chang ..... D21/501  
D591,957 S \* 5/2009 Lee ..... D6/300

\* cited by examiner

*Primary Examiner*—Philip S Hyder

*Assistant Examiner*—Cynthia M Chin

(74) *Attorney, Agent, or Firm* Day Pitney LLP

(57) **CLAIM**

The ornamental design for an element for a toy construction set, as shown and described.

**DESCRIPTION**

FIG. 1 is a top perspective view of the element for a toy construction set of the present design;

FIG. 2 is a bottom perspective view thereof;

FIG. 3 is a front view thereof;

FIG. 4 is a rear view thereof;

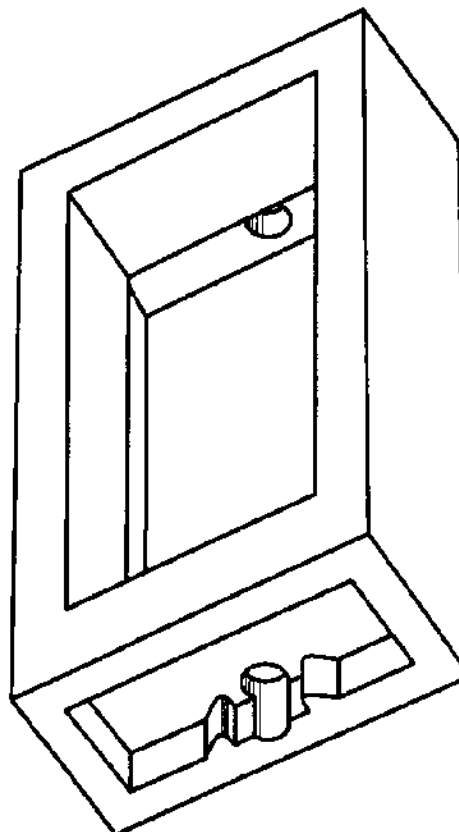
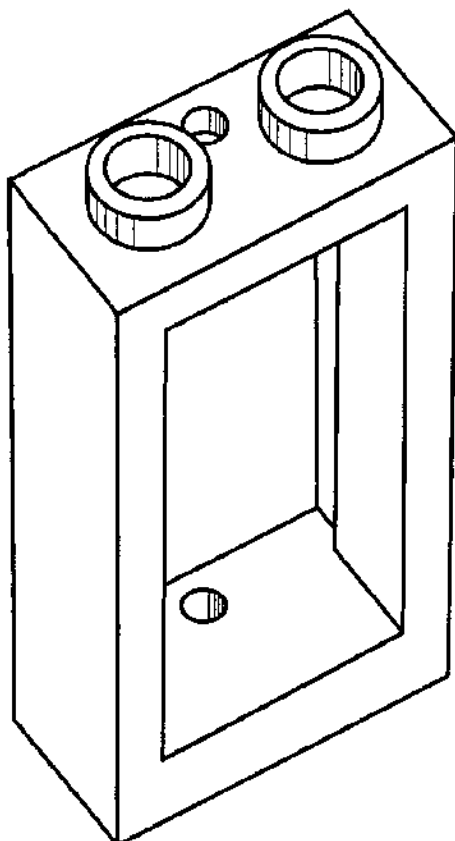
FIG. 5 is a top plan view thereof;

FIG. 6 is a bottom plan view thereof;

FIG. 7 is a right side view thereof; and,

FIG. 8 is a left side view thereof.

**1 Claim, 8 Drawing Sheets**



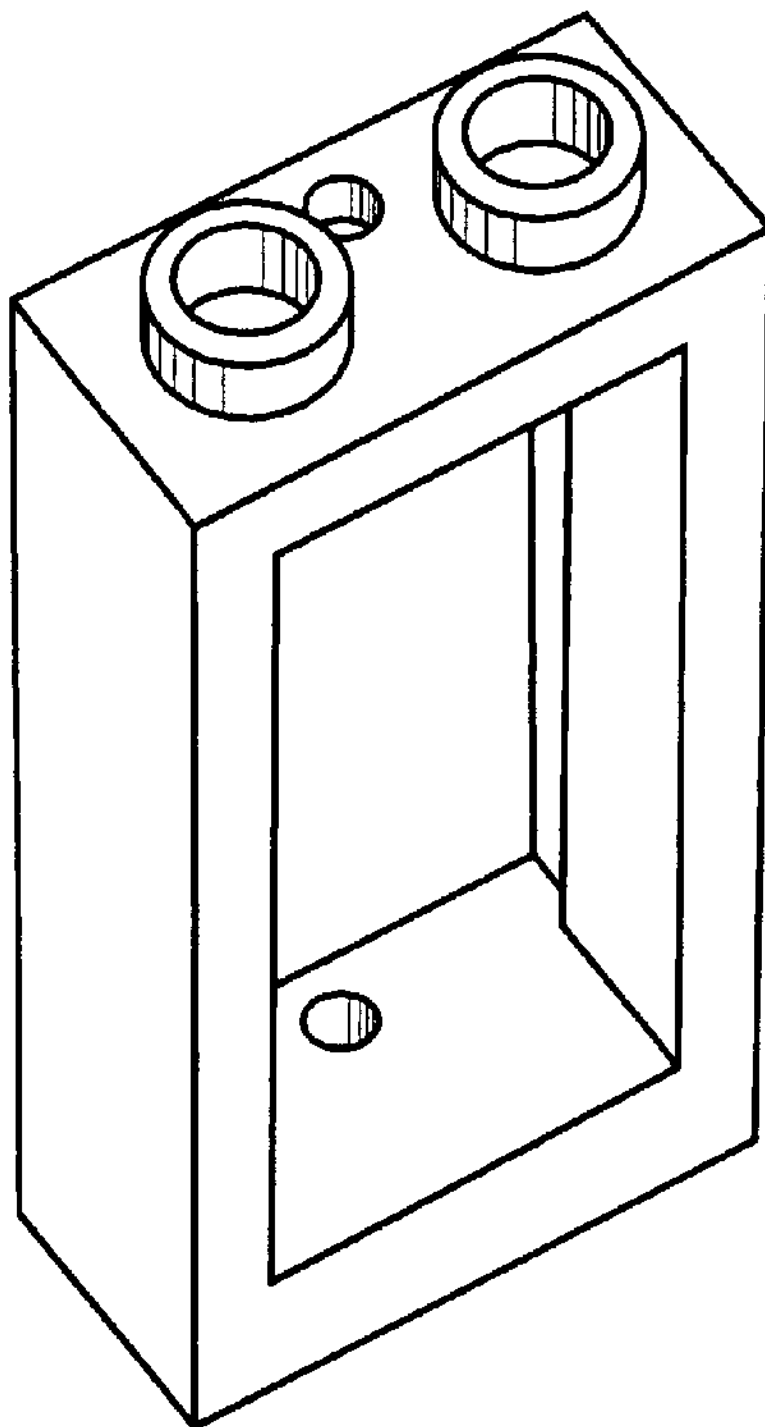


FIG. 1

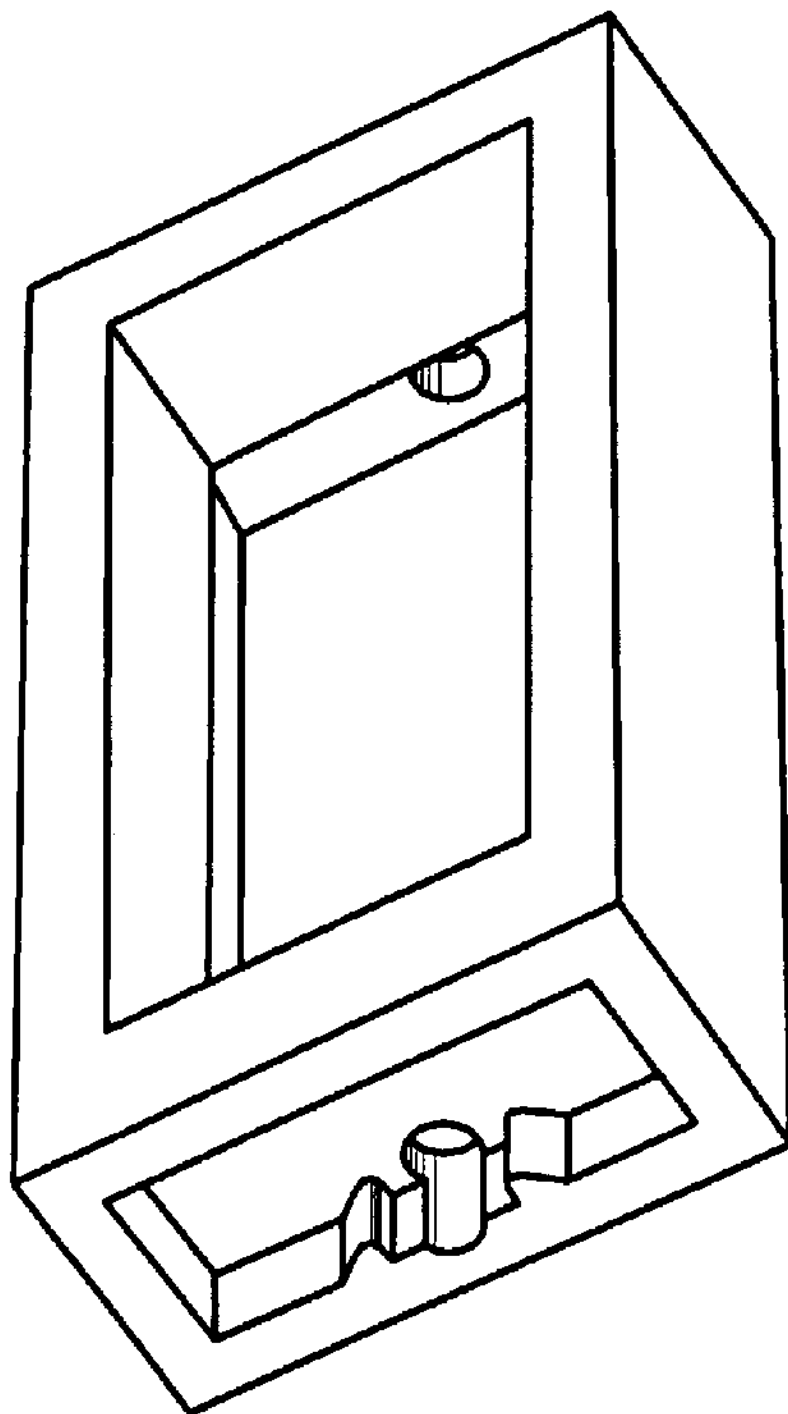


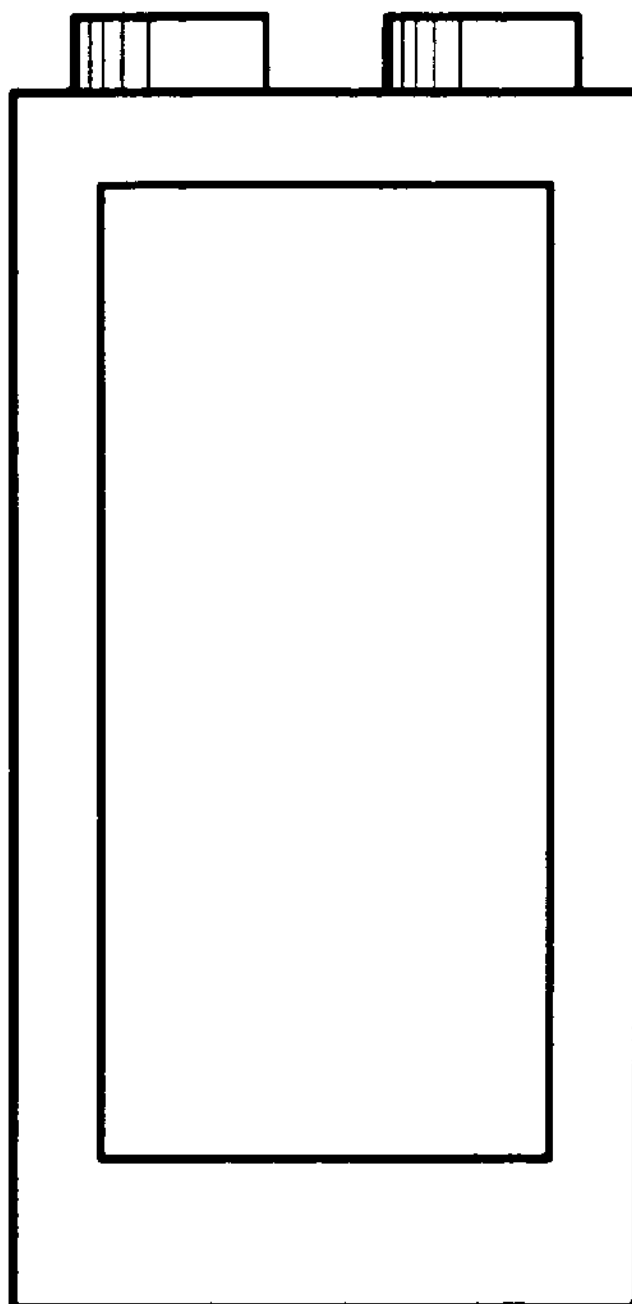
FIG. 2

**U.S. Patent**

Apr. 27, 2010

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**US D614,707 S**



**FIG. 3**

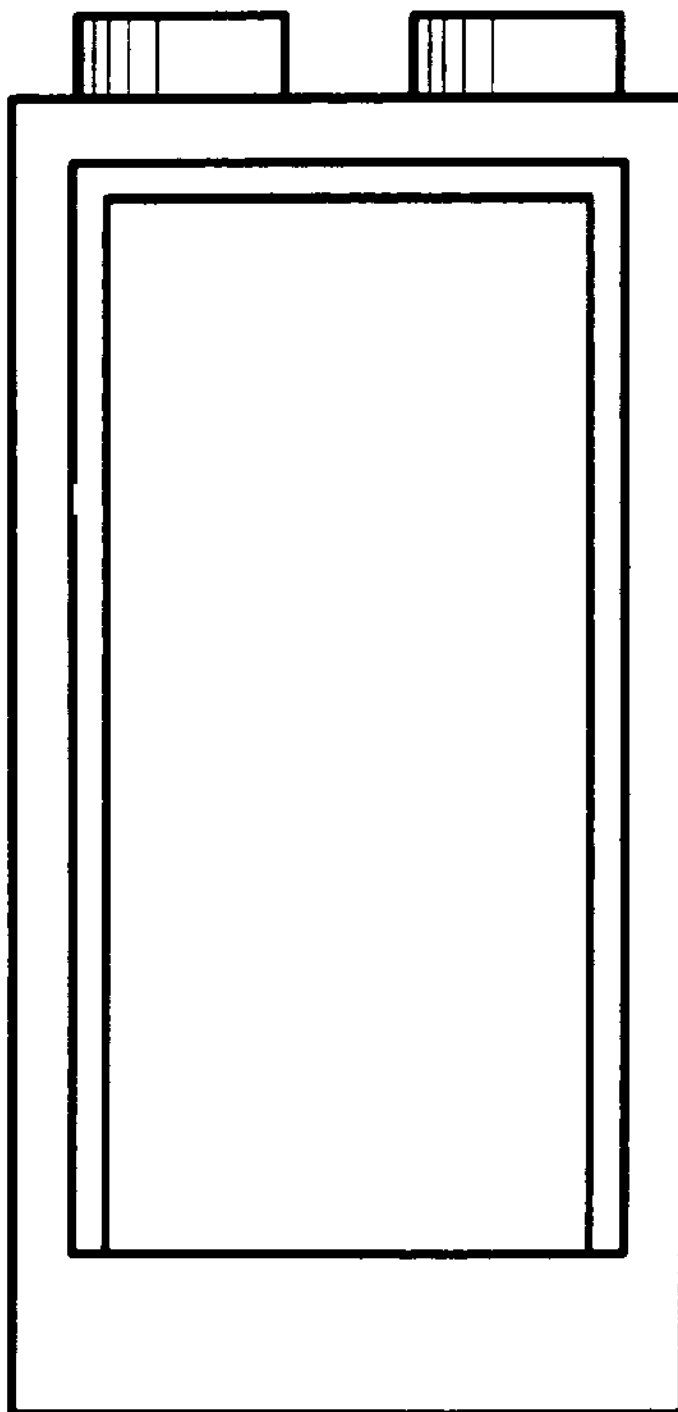


FIG. 4

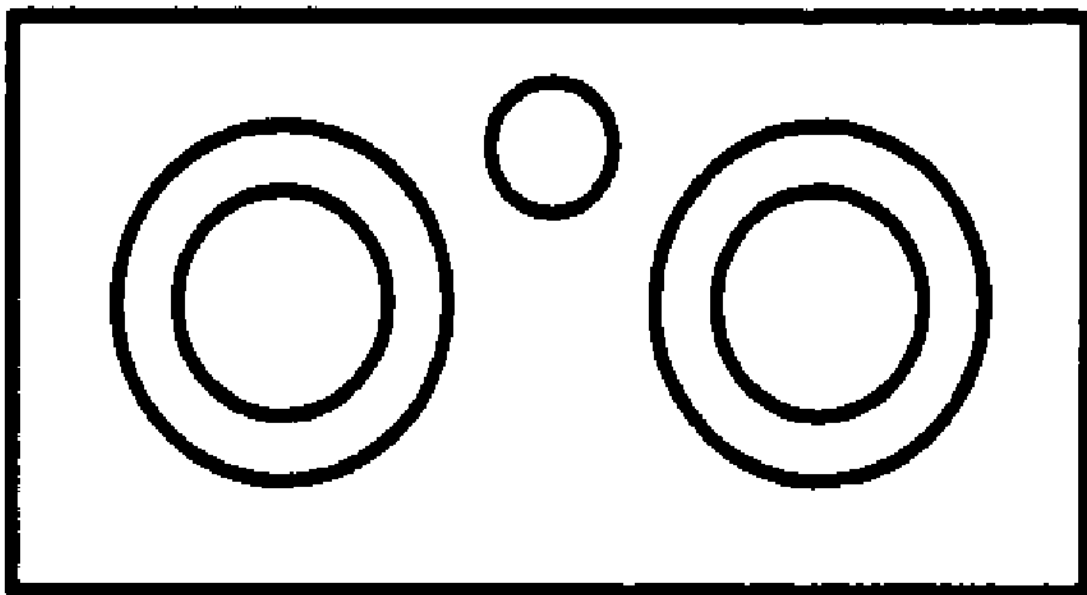


FIG. 5

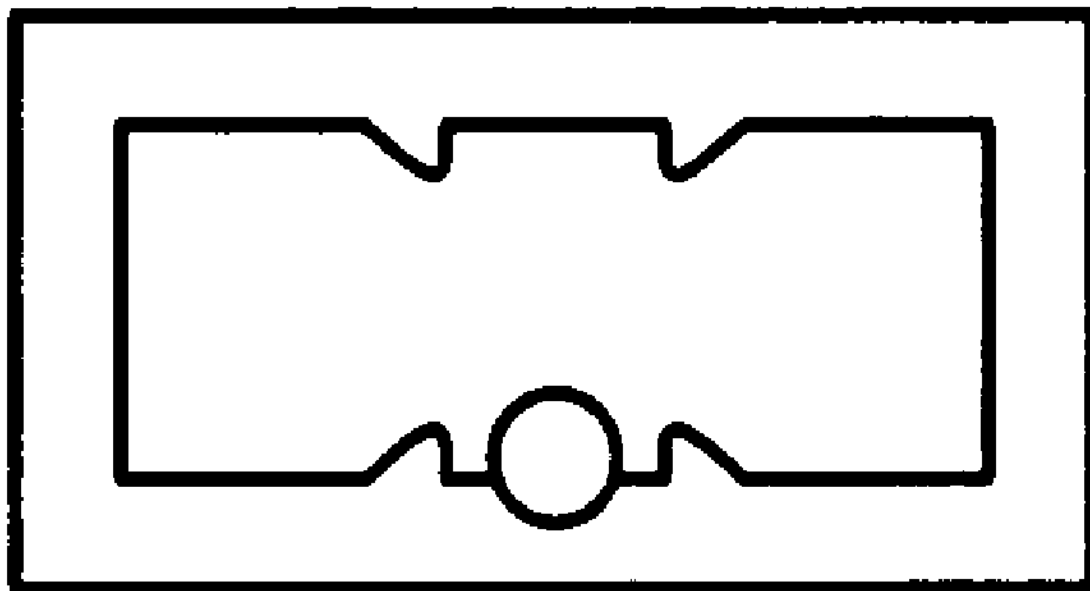


FIG. 6

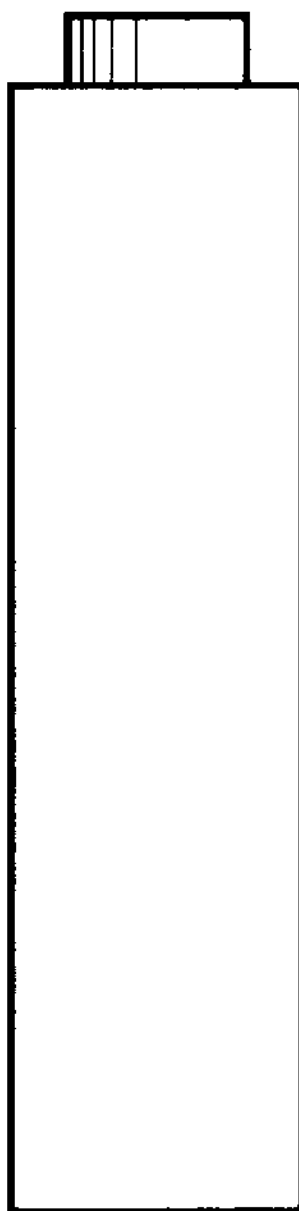


**U.S. Patent**

Apr. 27, 2010

Sheet 7 of 8

**US D614,707 S**



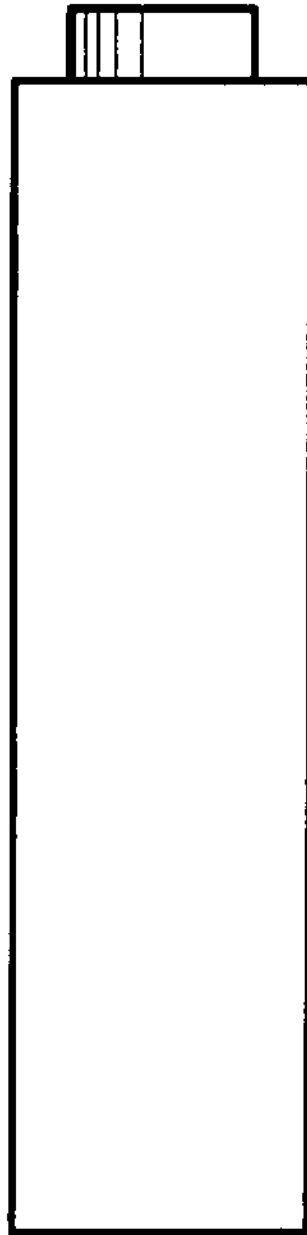
**FIG. 7**

**U.S. Patent**

Apr. 27, 2010

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**US D614,707 S**



**FIG. 8**

# **Exhibit 27**

## LEGO Brick 1 x 1 with Headlight and No Slot (4070 / 30069 / 35388)



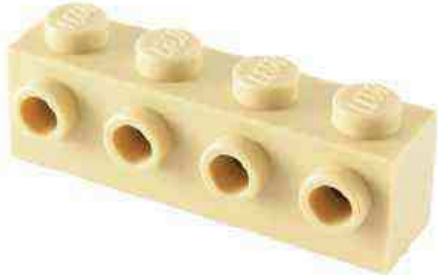
Lego Name: Angular Brick 1 x 1 (Bricks / Special)

Design IDs	4070, 30069, 35388
BOID	475629
1980	to 2019
1	x 1 x 1
0.8cm	x 0.8cm x 1.1cm
In 10030 Wishlists	

402387 Available from US \$0.01

<https://www.brickowl.com/catalog/lego-brick-1-x-1-with-headlight-and-no-slot-4070-30069-35388>

## LEGO Brick 1 x 4 with 4 Studs on 1 Side (30414)



Lego Name: Brick 1 x 4 with 4 Knobs (Bricks / Special)

Design ID	30414
BOID	638340
2000	to 2019
1	x 4 x 1
0.8cm	x 3.2cm x 1.1cm
In 8788 Wishlists	

108909 Available from US \$0.03

<https://www.brickowl.com/catalog/lego-brick-1-x-4-with-4-studs-on-1-side-30414>



### LEGO Brick 1 x 2 with Studs on Both Sides (52107)

Lego Name: Brick 1 x 2 with Four Knobs (Bricks / Special)

Design ID	52107			
BOID	342328			
2005	to	2019		
1	x	2	x	1
0.8cm	x	1.6cm	x	1.1cm
In 3966 Wishlists				

59810 Available from US \$0.04

<https://www.brickowl.com/catalog/lego-brick-1-x-2-with-studs-on-both-sides-52107>



### LEGO Brick 1 x 1 with Stud on 1 Side (87087)

Lego Name: Brick 1 x 1 with 1 Knob (Bricks / Special)

Design ID	87087			
BOID	215571			
2009	to	2019		
1	x	1	x	1
0.8cm	x	0.8cm	x	1.1cm
In 10048 Wishlists				

826643 Available from US \$0.01

<https://www.brickowl.com/catalog/lego-brick-1-x-1-with-stud-on-1-side-87087>

# **Exhibit 28**



## LEGO Bracket 1 x 2 - 2 x 2 (21712 / 44728 / 86644)

Lego Name: Angle Plate 1 x 2 / 2 x 2 (Bricks / Special)

Design IDs	21712, 44728, 86644, 92411			
BOID	222977			
2002		to		2019
1.20	x	2	x	1.67
1cm	x	1.6cm	x	1.8cm
In 9858 Wishlists				

305875 Available from US \$0.01

<https://www.brickowl.com/catalog/lego-bracket-1-x-2-2-x-2-21712-44728-86644>

# **Exhibit 29**



Catalog: Parts: Window: 7026b

### Window 1 x 2 x 2 (Old Type) with Extended Lip and Hole in Top, no Glass

Item No: 7026b

Buy

<p>White</p>  <p>Color Images</p> <p>Large Images</p>	<p><b>Item Info</b></p> <p>Years Released: 1954-1972</p> <p>Weight: 0.72g</p> <p>Size: 1 x 2 x 2 in studs</p>	<p><b>Item Consists Of</b></p> <p>N/A</p>	<p><b>Item Appears In</b></p> <p>57 Sets</p> <p>1 Part</p>
<p>+ My Inventory</p> <p><a href="#">Add to My Inventory</a></p> <p>185 Lots For Sale</p>	<p>+ My Wanted List</p> <p><a href="#">Add to My Wanted List</a></p> <p>On 70 Wanted Lists</p>	<p>\$ Price Guide</p> <p><a href="#">View Price Guide</a></p>	

<https://www.bricklink.com/v2/catalog/catalogitem.page?P=7026b#T=C&C=1>

Catalog: Parts: Door Frame: 3579

### Door Frame 1 x 3 x 4

Item No: 3579

Buy

<p>Select Color</p>  <p>Color Images</p> <p>3D/Leg. Images</p>	<p><b>Item Info</b></p> <p>Years Released: 1973-1980</p> <p>Weight: 1.79g</p> <p>Size: 1 x 3 x 4 in studs</p>	<p><b>Item Consists Of</b></p> <p>N/A</p>	<p><b>Item Appears In</b></p> <p>56 Sets</p>
<p>+ My Inventory</p> <p><a href="#">Add to My Inventory</a></p> <p>1577 Lots For Sale</p>	<p>+ My Wanted List</p> <p><a href="#">Add to My Wanted List</a></p> <p>On 558 Wanted Lists</p>	<p>\$ Price Guide</p> <p><a href="#">View Price Guide</a></p>	

<https://www.bricklink.com/v2/catalog/catalogitem.page?P=3579#T=C>

[Catalog](#): [Parts](#): [Window](#): 4033

### Window 1 x 4 x 3 Train - Hollow Studs

Item No: [4033](#)

[Buy](#)



#### Item Info

Years Released: 1980 - 2007  
Weight: 1.85g  
Size: 1 x 4 x 3 in studs

#### Item Consists Of

N/A

#### Item Appears In

[72 Sets](#)

#### + My Inventory

[Add to My Inventory](#)  
1991 Lots For Sale

#### ♥ My Wanted List

[Add to My Wanted List](#)  
On 5787 Wanted Lists

#### \$ Price Guide

[View Price Guide](#)

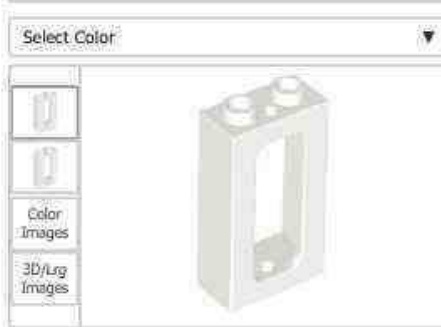
<https://www.bricklink.com/v2/catalog/catalogitem.page?P=4033#T=C>

[Catalog](#): [Parts](#): [Window](#): 4035

### Window 1 x 2 x 3 Train

Item No: [4035](#)

[Buy](#)



#### Item Info

Years Released: 1980 - 2019  
Weight: 1.42g  
Size: 1 x 2 x 3 in studs

#### Item Consists Of

N/A

#### Item Appears In

[43 Sets](#)

#### + My Inventory

[Add to My Inventory](#)  
2320 Lots For Sale

#### ♥ My Wanted List

[Add to My Wanted List](#)  
On 9977 Wanted Lists

#### \$ Price Guide

[View Price Guide](#)

<https://www.bricklink.com/v2/catalog/catalogitem.page?P=4035#T=C>

[Catalog](#): [Parts](#): [Window](#): 2493a

### Window 1 x 4 x 5 with Solid Studs

Item No: 2493a

Buy

<p>White</p> 	<p><b>Item Info</b> Years Released: 1983--1993 Weight: 2.3g Size: 1 x 4 x 5 in studs</p>	<p><b>Item Consists Of</b> N/A</p>	<p><b>Item Appears In</b> <a href="#">11 Sets</a></p>
	<p><b>+ My Inventory</b> <a href="#">Add to My Inventory</a> 1030 Lots For Sale</p>	<p><b>♥ My Wanted List</b> <a href="#">Add to My Wanted List</a> On 599 Wanted Lists</p>	<p><b>\$ Price Guide</b> <a href="#">View Price Guide</a></p>

<https://www.bricklink.com/v2/catalog/catalogitem.page?P=2493a#T=C&C=1>

[Catalog](#): [Parts](#): [Window](#): 6556

### Window 1 x 4 x 3 Train - 2 Hollow Studs and 2 Solid Studs

Item No: 6556

Buy

<p>Select Color</p> 	<p><b>Item Info</b> Years Released: 1993 - 2011 Weight: 1.89g Size: 1 x 4 x 3 in studs</p>	<p><b>Item Consists Of</b> N/A</p>	<p><b>Item Appears In</b> <a href="#">33 Sets</a></p>
	<p><b>+ My Inventory</b> <a href="#">Add to My Inventory</a> 1279 Lots For Sale</p>	<p><b>♥ My Wanted List</b> <a href="#">Add to My Wanted List</a> On 7987 Wanted Lists</p>	<p><b>\$ Price Guide</b> <a href="#">View Price Guide</a></p>

<https://www.bricklink.com/v2/catalog/catalogitem.page?P=6556#T=C>

## LEGO Window 1 x 4 x 4 (6154 / 40527)



Lego Name: Frame 1 x 4 x 4 (Frames / Windows / Walls and Doors)

Design IDs	6154, 40527		
BOID	424539		
1995	to	2019	
1	x	4	x 4
0.8cm	x	3.2cm	x 4cm
In 167 Wishlists			

5868 Available from US \$0.04

<https://www.brickowl.com/catalog/lego-window-1-x-4-x-4-6154-40527#desc>

[Catalog](#): [Parts](#): [Window](#): 60592

### Window 1 x 2 x 2 Flat Front

Item No: 60592

Buy

Select Color

**Item Info**

Years Released: 2008 - 2019

Weight: 1g

Size: 1 x 2 x 2 in studs

**Item Consists Of**

N/A

**Item Appears In**

[161 Sets](#)

[3 Parts](#)

[1 Gear](#)

---

**+ My Inventory**

[Add to My Inventory](#)

8162 Lots For Sale

**♥ My Wanted List**

[Add to My Wanted List](#)

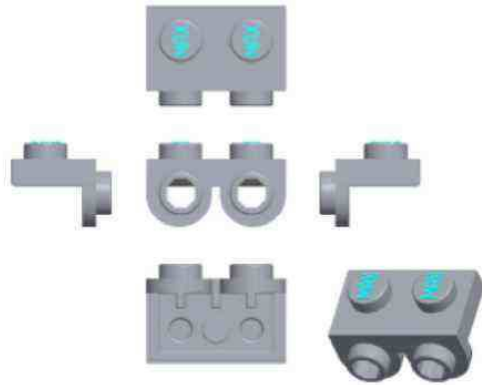
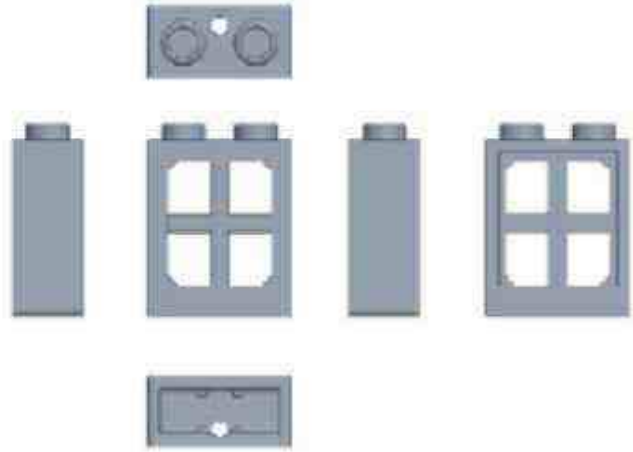
On 58608 Wanted Lists

**\$ Price Guide**

[View Price Guide](#)

<https://www.bricklink.com/v2/catalog/catalogitem.page?P=60592#T=C>

# **Exhibit 30**



Redesigned Bricks

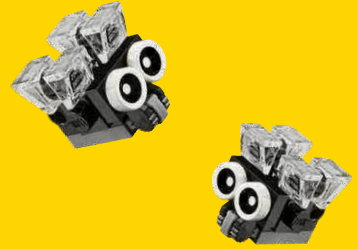
# Exhibit 31



The LEGO Group

# Annual Report 2017





**LEGO A/S**

Aastvej 1  
DK-7190 Billund  
Tel: +45 7950 6070

**CVR no:** 54 56 25 19

**Incorporated:** 19 December, 1975

**Residence:** Billund

**Financial Year:** 1 January – 31 December

**Internet:** [www.LEGO.com](http://www.LEGO.com)

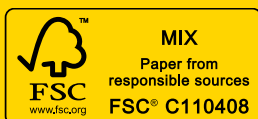
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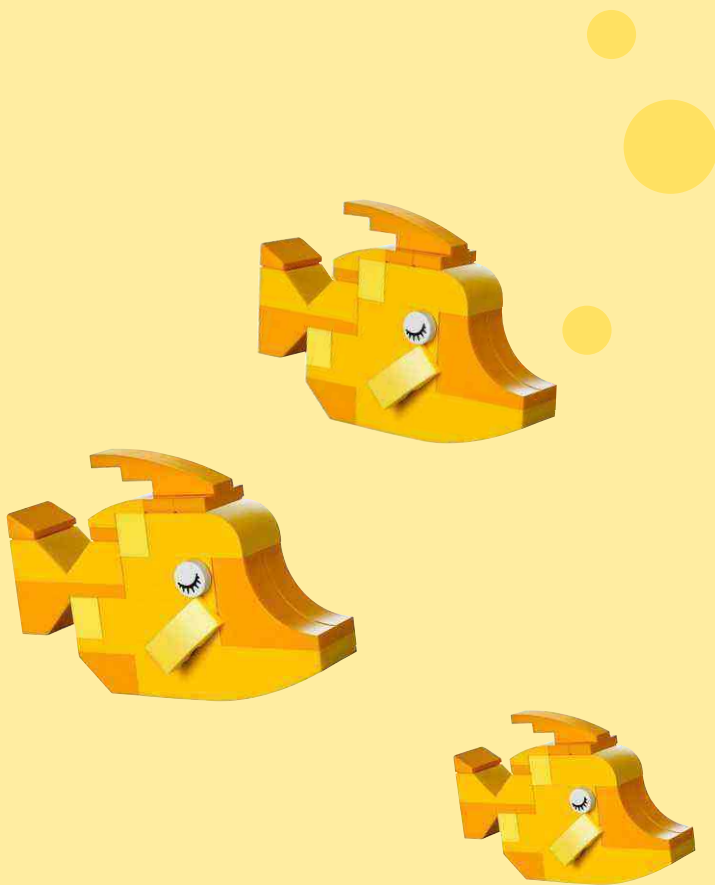
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# Management Report



# Company Information

## Executive Leadership Team

**Niels B. Christiansen**, President and Chief Executive Officer

**Marjorie Lao**, Chief Financial Officer

**Julia Goldin**, Chief Marketing Officer

**Loren I. Shuster**, Chief People Office

**Carsten Rasmussen**, Chief Operations Officer

**Ulrik Gernow**, Chief Business Transformation Officer

**Claus Flyger Pejstrup**, Senior Vice President

**Eric Maugein**, Senior Vice President

**Jacob Kragh**, Senior Vice President

**Marko Ilincic**, Senior Vice President

**Skip Kodak**, Senior Vice President

**Victor Saeijs**, Senior Vice President

## Board of Directors

### Jørgen Vig Knudstorp

Executive Chairman of LEGO A/S since May 2017.

Executive Chairman of LEGO Brand Group since January 2017.

Member of the Board of Starbucks since 2017.

President and Chief Executive Officer of the LEGO Group from 2004–2016.

### Thomas Kirk Kristiansen

Deputy Chairman of LEGO A/S since May 2016 (member since 2007).

Deputy Chairman of LEGO Brand Group since January 2017.

Representing the fourth generation of the owner family.

Member of the Board of KIRKBI A/S and 4 fully owned subsidiaries.

Chairman of the Board of LEGO Foundation.

Executive Management member of Kirk & Kirk Holding ApS and management roles in 4 subsidiaries.

### Kjeld Kirk Kristiansen

Member of the Board of LEGO A/S since 1975 (Deputy Chairman from 1996 to May 2016).

Chairman of the Board of KIRKBI A/S and board member in 4 fully owned subsidiaries.

Deputy Chairman of the Board of LEGO Foundation.

Chairman of the Board of Ole Kirk's Foundation and Koldingvej 2, Billund A/S.

Member of the Board of Capital of Children Office A/S.

President and CEO of the LEGO Group 1979–2004.

### Kåre Schultz

Member of the Board of LEGO A/S since 2007.

CEO of Teva Pharmaceutical Industries Ltd.

### Søren Thorup Sørensen

Member of the Board of LEGO A/S since 2010.

CEO of KIRKBI A/S, KIRKBI Invest A/S and Koldingvej 2, Billund A/S.

Chairman of the Board of K&C Holding A/S and Boston Holding A/S.

Deputy Chairman of KIRKBI AG and KIRKBI Real Estate AG.

Member of the Board of Falck A/S, Koldingvej 2, Billund A/S, Ole Kirk's Fond, Merlin Entertainments PLC and 2 fully owned subsidiaries of KIRKBI A/S.

### Eva Berneke

Member of the Board of LEGO A/S since 2011.

CEO of KMD A/S.

Member of the Board of DTU.

Member of the Foreign Economic Forum.

Member of the Board of Directors of Nationalbanken.

### Jan Nielsen

Member of the Board of LEGO A/S since 2013.

Senior Managing Director in Blackstone Private Equity and COO of Blackstone Asia Pacific.

Chairman of the Board of Antares Restaurants Group.

Member of the Board of Blackstone in 8 countries.

Member of the Board of Ixom Ltd.

Member of the Board of Simone Acc. Collection.

## Auditors

### PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab



# Management's Review

2017 was a challenging year for the LEGO Group. Revenue for the full year declined 8% to DKK 35.0 billion compared with DKK 37.9 billion in 2016. Excluding the impact of foreign currency exchange, revenues for the full year declined 7% compared with 2016.

Significant revenue growth was achieved in China. However, revenues in most established markets in North America and Europe declined, primarily due to actions the company took to reduce inventories across its value chain. Global consumer sales were flat in 2017 and trended upwards in the final months of the year.

The LEGO Group's profit before tax amounted to DKK 10.2 billion in 2017 against DKK 12.4 billion the year before, a decrease of 18%.

Overall, Management is not satisfied with the financial results. However, the LEGO Group ended the year well, and is entering 2018 with a better foundation.

## Operating profit

The LEGO Group's operating profit amounted to DKK 10.4 billion in 2017 against DKK 12.4 billion in 2016.

The operating margin was 29.6% in 2017 against 32.8% in 2016.

## Financial income and expenses

Net financials created a total expense of DKK 158 million in 2017 against an expense of DKK 57 million in 2016.

## Corporate income tax

Corporate income tax amounted to DKK 2.4 billion compared with DKK 3.0 billion the prior year. The effective tax rate for the year is 23.5% against 23.8% in 2016.

## Profit for the year

The LEGO Group's profit for the year amounted to DKK 7.8 billion in 2017 against DKK 9.4 billion in 2016.

The lower level of profit in 2017 is driven by the LEGO Group's lower revenues during the year.

## Cash flows and equity

The LEGO Group's assets remained unchanged in 2017 and amounted to DKK 29.9 billion. Cash flows from operating activities amounted to DKK 10.7 billion, against DKK 9.1 billion in 2016.

After recognition of the profit for the year and distribution of dividend, the LEGO Group's equity has increased by DKK 0.7 billion to DKK 20.7 billion in 2017.

At the end of 2017, the equity ratio of the LEGO Group was 69.3% against 66.9% in 2016.

Return on equity for the LEGO Group was 38.3% in 2017 against 49.9% in 2016.

## Investments

During 2017, investments in property, plant and equipment amounted to DKK 1.5 billion in 2017, compared with DKK 2.9 billion in 2016. These investments included a phased expansion of facilities at two manufacturing plants to meet future demand for LEGO products.

At the company's plant in Monterrey, Mexico, work commenced in 2017 to expand its warehouse, and in Nyíregyháza, Hungary, construction of additional warehouse and processing capacity continued during the year. Both projects are expected to be completed in 2019.

## Research and development activities

Each year, new launches account for approximately 60% of the LEGO Group's sales to consumers. More than 250 designers from more than 40 different countries make up the creative core of product development within the company, with the majority being based in the company's headquarters in Billund, Denmark.

The development activities that enable such an extensive degree of innovation comprise a wide range of initiatives from trend spotting and anthropological studies to the development of specific products and campaigns.

The LEGO Group also cooperates with a number of educational institutions concerning various research projects within, among other topics, children's play and new technologies.

### Intellectual capital resources

The number of full-time employees at the end of 2017 was 17,534 compared with 19,061 at the end of 2016.

In the years leading up to 2017, the LEGO Group recruited a large number of employees to support global double-digit growth. In September 2017, the LEGO Group announced plans to adjust the organisation to support current business levels. As a result, it was decided to reduce the total global workforce by around 8%, impacting approximately 1,400 positions globally. The LEGO Group provided the affected employees with redundancy packages which reflected their service and with support transitioning to new positions or new opportunities either within or outside the Group.

The resulting lay-offs were completed in 2017 and a new organisation structure is now in place. It will have greater focus on its commercial activity in markets and with partners around the world.

On October 1, 2017, Niels B. Christiansen assumed the position as CEO.

### Responsible business conduct

The LEGO Group works to have a positive impact on its stakeholders and its local communities.

This is at the core of the Group's culture and the foundation of the strategy it pursues.

In 2003, the LEGO Group was the first company in the toy industry to sign the United Nations Global Compact. This was a confirmation of the company's many years of support of human rights, labour standards, anti-corruption and the environment. The Group's Responsibility Report 2017 (COP report) describes how it is working to adhere to the Compact.

Pursuant to section 99 a and 99 b of the Danish Financial Statements Act, the Responsibility Data Report 2017 constitutes the statutory statement of corporate social responsibility. This also includes the required quantitative targets for the underrepresented gender on the Board of Directors.

The Responsibility Data 2017 is available at:  
[www.LEGO.com/responsibility](http://www.LEGO.com/responsibility)

### Market development

The LEGO Group's main activity is the development, production, marketing and sale of play materials.

The global market for traditional toys, in which the Group operates, saw low single digit growth during 2017.

### LEGO® revenue

Revenue in established LEGO markets declined in 2017, as a result of a clean-up of inventories. Despite the revenue decline, overall consumer sales remained flat.

Revenue grew strong double-digits in China, where the Group continues to expand its presence through retail channels, e-commerce and digital platforms.

Core product lines continue to do well, and among the top selling lines in 2017 were themes like LEGO® City, LEGO® NINJAGO®, LEGO Creator and LEGO® DUPLO®. LEGO® Star Wars™ performed in line with expectations.

The LEGO Group has no significant trade receivables risk concentrated in specific countries, but has some single significant trade debtors. The LEGO Group has fixed procedures for determining the granting of credit. The LEGO Group's risk relating to trade receivables is considered to be moderate. For more information, see note 25. The majority of the LEGO Group's sales are in foreign currency, and the risks relating to currency are described in note 25.

### Events after the reporting date

No events have occurred after the balance sheet date that would influence the evaluation of the Annual Report.

### Expectations for 2018

The LEGO Group expects to stabilise the business in 2018 and invest in activity to create further demand.

Longer-term, the Group expects to grow low single digits in line with the global toy market. This is expected to be achievable due to the Group's continued focus on innovation, growth in established markets and its commitment to global expansion, such as expanding its presence in China.

Finally, Management would like to thank all the dedicated LEGO Group employees for their contribution and commitment during the past year and looks forward to continuing to work together in 2018 and beyond.





## Financial Highlights of the LEGO Group

(mDKK)	2017	2016	2015	2014	2013
<b>Income Statement</b>					
Revenue	34,995	37,934	35,780	28,578	25,294
Expenses	(24,636)	(25,486)	(23,536)	(18,881)	(16,958)
Operating profit	10,359	12,448	12,244	9,697	8,336
Financial income and expenses	(158)	(57)	(96)	(206)	(97)
Profit before income tax	10,201	12,391	12,148	9,491	8,239
Net profit for the year	7,806	9,436	9,174	7,025	6,119
<b>Balance Sheet</b>					
Total assets	29,911	29,937	27,877	21,419	17,952
Equity	20,714	20,039	17,751	12,832	11,075
Liabilities	9,197	9,898	10,126	8,587	6,877
<b>Cash Flow Statement</b>					
Cash flows from operating activities	10,691	9,084	10,559	7,945	6,744
Investment in intangible assets	35	92	126	59	103
Investment in property, plant and equipment	1,494	2,908	2,822	3,115	2,644
Cash flows from financing activities	(9,378)	(6,575)	(6,816)	(5,302)	(3,466)
Total cash flows	(210)	(483)	808	(521)	574
<b>Employees</b>					
Average number (full-time)	16,480	16,836	13,974	12,582	11,755
Headcount end of year	17,534	19,061	17,294	14,762	13,869
<b>Key performance indicator</b>					
Economic value added (EVA)	9,368	11,273	11,406	8,761	7,250
<b>Financial ratios (in %)</b>					
Gross margin	70.7	72.2	72.6	71.8	70.7
Operating margin	29.6	32.8	34.2	33.9	33.0
Net profit margin	22.3	24.9	25.6	24.6	24.2
Return on equity (ROE)	38.3	49.9	60.0	58.8	58.4
Return on invested capital (ROIC)	71.9	90.5	104.7	99.3	106.9
Equity ratio	69.3	66.9	63.7	59.9	61.7

The Financial Highlights for 2016 have been adjusted as a consequence of a change in classification in the Income Statement. The Financial Highlights for 2015, 2014 and 2013 have not been changed. The change in classification in the Income Statement is described in note 1.

The key performance indicator is calculated in accordance with the definitions in note 1.

Financial ratios, except invested capital, are calculated in accordance with the "Recommendations and Financial Ratios 2015", issued by the Danish Society of Financial Analysts. For definitions, please refer to note 1.

Parentheses denote negative figures.

Headcount end of year

**17,534**

Revenue

**35.0**

billion (DKK)

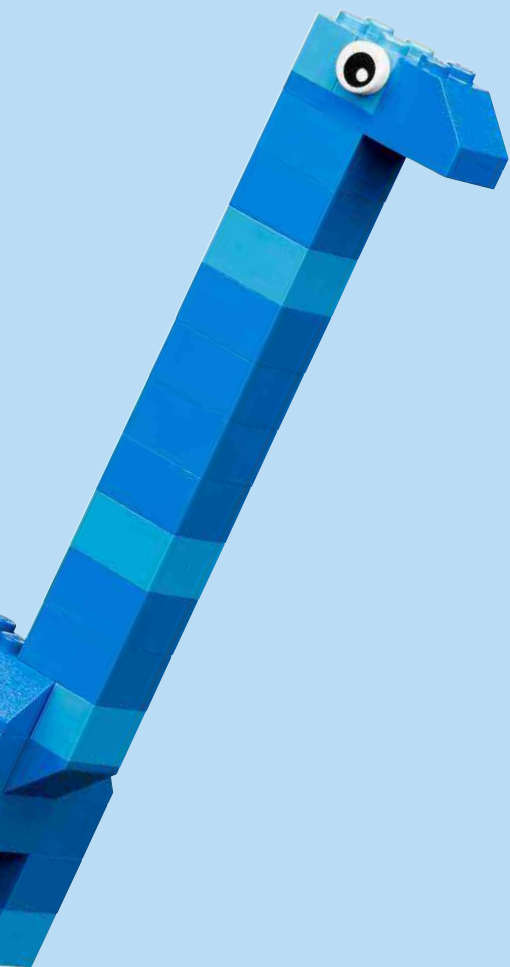
Net profit

**7.8**

billion (DKK)



# Consolidated Financial Statements



# Income Statement and Statement of Comprehensive Income

1 January – 31 December

(mDKK)	Note	2017	2016
<b>Income Statement</b>			
Revenue	3	34,995	37,934
Production costs	4,6,7	(10,239)	(10,531)
Gross profit		24,756	27,403
Sales and distribution expenses	4,6,7	(10,208)	(10,487)
Administrative expenses	4,5,6,7	(2,352)	(2,527)
Other operating expenses	4,6,8	(1,837)	(1,941)
Operating profit		10,359	12,448
Financial income	9	13	15
Financial expenses	10	(171)	(72)
Profit before income tax		10,201	12,391
Tax on profit for the year	11	(2,395)	(2,955)
<b>Net profit for the year</b>		<b>7,806</b>	<b>9,436</b>

(mDKK)	2017	2016
<b>Statement of Comprehensive Income</b>		
Profit for the year	7,806	9,436
<i>Items that will be reclassified to the income statement, when specific conditions are met:</i>		
Change in market value of cash flow hedges	277	(55)
<i>Reclassification of cash flow hedges from equity to be recognised as part of:</i>		
Revenue in the income statement	(122)	(60)
Production costs in the income statement	(9)	4
Tax on cash flow hedges	(32)	25
Currency translation differences	(243)	(55)
<i>Items that will not be reclassified to the income statement:</i>		
Remeasurements of defined benefit plans	(3)	(9)
Tax on remeasurements of defined benefit plans	1	2
<b>Total comprehensive income for the year</b>	<b>7,675</b>	<b>9,288</b>

# Balance Sheet

at 31 December

(mDKK)	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Development projects		71	39
Software		192	270
Licences, patents and other rights		24	42
Intangible assets	12	287	351
Land, buildings and installations		5,300	5,352
Plant and machinery		3,536	3,710
Other fixtures and fittings, tools and equipment		1,304	1,193
Fixed assets under construction		1,386	1,457
Property, plant and equipment	13	11,526	11,712
Deferred tax assets	19	591	611
Investments in associates	14	3	3
Prepayments		146	159
Other non-current assets		740	773
Total non-current assets		12,553	12,836
<b>Current assets</b>			
Inventories	15	2,383	2,991
Trade receivables	16,26	6,333	7,174
Other receivables	26	868	1,036
Prepayments		146	134
Current tax receivables		178	510
Receivables from related parties	26,30	6,688	4,350
Cash at banks	26,29	762	906
Total current assets		17,358	17,101
<b>Total assets</b>		<b>29,911</b>	<b>29,937</b>

## Balance Sheet

at 31 December

(mDKK)	Note	2017	2016
<b>EQUITY</b>			
Share capital	17	20	20
Reserve for hedge accounting		34	(80)
Reserve for currency translation		(581)	(338)
Retained earnings	18	21,241	20,437
<b>Total equity</b>		<b>20,714</b>	<b>20,039</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	26	167	178
Deferred tax liabilities	19	158	40
Pension obligations	20	184	198
Provisions	22	56	54
Deferred revenue	23	36	36
Debt to related parties	26,30	–	600
Other debt	21,26	80	197
<b>Total non-current liabilities</b>		<b>681</b>	<b>1,303</b>
<b>Current liabilities</b>			
Borrowings	26	11	41
Trade payables	26	2,811	2,837
Current tax liabilities		200	223
Provisions	22	219	72
Deferred revenue	23	178	237
Debt to related parties	26,30	600	–
Other debt	21,26	4,497	5,185
<b>Total current liabilities</b>		<b>8,516</b>	<b>8,595</b>
<b>Total liabilities</b>		<b>9,197</b>	<b>9,898</b>
<b>Total equity and liabilities</b>		<b>29,911</b>	<b>29,937</b>

## Statement of Changes in Equity

2017 (mDKK)	Share capital	Reserve for hedge accounting	Reserve for currency translation	Retained earnings	Total equity
Balance at 1 January	20	(80)	(338)	20,437	20,039
Profit for the year	–	–	–	7,806	7,806
Comprehensive income/(expenses) for the year	–	114	(243)	(2)	(131)
Dividend paid relating to prior year	–	–	–	(7,000)	(7,000)
<b>Balance at 31 December</b>	<b>20</b>	<b>34</b>	<b>(581)</b>	<b>21,241</b>	<b>20,714</b>

2016 (mDKK)	Share capital	Reserve for hedge accounting	Reserve for currency translation	Retained earnings	Total equity
Balance at 1 January	20	6	(283)	18,008	17,751
Profit for the year	–	–	–	9,436	9,436
Comprehensive income/(expenses) for the year	–	(86)	(55)	(7)	(148)
Dividend paid relating to prior year	–	–	–	(7,000)	(7,000)
<b>Balance at 31 December</b>	<b>20</b>	<b>(80)</b>	<b>(338)</b>	<b>20,437</b>	<b>20,039</b>

# Cash Flow Statement

at 31 December

(mDKK)	Note	2017	2016
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	12,735	12,468
Interest received etc.	9	13	15
Interest paid etc.	10	(32)	(36)
Income tax paid		(2,025)	(3,363)
Net cash generated from operating activities		10,691	9,084
<b>Cash flows from investing activities</b>			
Purchases of intangible assets	12	(35)	(92)
Purchases of property, plant and equipment	13	(1,494)	(2,908)
Proceeds from sale of property, plant and equipment		6	8
Net cash used in investing activities		(1,523)	(2,992)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		–	–
Repayments of borrowings		(40)	(157)
Repayments from related parties	30	10,134	14,297
Payments to related parties	30	(12,472)	(13,715)
Dividend paid to shareholders	18	(7,000)	(7,000)
Net cash used in financing activities		(9,378)	(6,575)
<b>Total cash flows</b>		<b>(210)</b>	<b>(483)</b>
Cash and cash equivalents at 1 January		906	1,211
Exchange gains on cash at banks		66	178
<b>Cash at banks at 31 December</b>	29	<b>762</b>	<b>906</b>





# Notes

## Basis for preparation

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## Income Statement

### Note

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## Note 1. Significant accounting policies

The Consolidated Financial Statements of the LEGO Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

The Consolidated Financial Statements have been prepared in accordance with the historical cost convention, except for the following:

- Financial assets and financial liabilities (including financial instruments) measured at fair value.

### Changes in classification in the income statement

To ensure alignment of the income statement with the organisational structure, the LEGO Group has made some reclassifications in the income statement for the comparative figures for 2016.

The reclassifications in 2016 impact the production costs with DKK 109 million (income), sales and distribution expenses with DKK 97 million (income) and administration costs with DKK 206 million (expense).

The reclassifications have not had any effect on the operating profit for 2016.

### Effects of new and amended accounting standards

All amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2017 have been adopted by the LEGO Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration and IFRIC 23 Uncertainty over Income Tax Treatments have been issued by IASB but not yet endorsed by the EU. The LEGO Group does not anticipate any significant impact on future periods from the adoption of IFRIC 22 nor IFRIC 23.

The LEGO Group has not yet applied the following standards:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

IFRS 9 and IFRS 15 are effective from 1 January 2018 and IFRS 16 is effective from 1 January 2019. All three standards are endorsed by the EU.

Management has in all material respect concluded analysis of the impending changes resulting from the new standards. The key findings are explained below.

### IFRS 9 Financial Instruments

IFRS 9 is the new standard for classification and measurement of financial instruments. Among other amendments, it introduces a new hedge accounting model that is designed to be more closely aligned with risk management activities. It includes amendments to the treatment of option premiums and the possibility to hedge net positions. Furthermore, IFRS 9 requires for loss allowances to be recognized and measured in accordance with the “expected credit loss” model.

The implementation of IFRS 9 will not affect the current classification and measurement of the financial instruments in the LEGO Group, and the new standard does not fundamentally change the hedging relationships. The effect of the change from the ‘incurred loss’ model in IAS 39 to the ‘expected credit loss’ model in IFRS 9 has an immaterial impact on the Financial Statements in the LEGO Group.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue.

The LEGO Group's current practice for recognising revenue has proved to comply in all material aspects with the concepts and principles encompassed by the new standard.

### IFRS 16 Leases

The change in lease accounting requires capitalisation of operational lease contracts, which will have an impact on total assets and a corresponding impact on total liabilities. Hence this will affect the financial ratios related to the balance sheet. IFRS 16 requires the lease payment to be split between a depreciation charge included in operating costs and an interest expense on lease liabilities.

## Note 1 (continued)

Management has performed an initial investigation of the impact on the Consolidated Financial Statements upon adoption of IFRS 16. Based on the contractual obligations at 31 December 2017, an increase in total assets and total liabilities of approximately DKK 2 billion is expected. The adoption of IFRS 16 is not expected to have a material impact on the Income Statement.

### Consolidation practice

The Consolidated Financial Statements comprise LEGO A/S (Parent Company) and the companies in which LEGO A/S directly or indirectly holds more than 50% of the votes or otherwise exercises control (subsidiaries). LEGO A/S and these companies are referred to as the LEGO Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the LEGO Group. They are de-consolidated from the date on which control ceases.

Associates are all entities over which the LEGO Group has significant influence but not control, and are generally represented by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the LEGO Group.

### Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of each of the LEGO Group's entities are measured using the currency of the primary economic environment in which the entity operates. The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the Parent Company.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as reserve for exchange rate adjustments.

#### Group companies

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each subsidiary are translated into DKK at the closing rate at the balance sheet date.
- Income and expenses for each subsidiary are translated at average exchange rates.
- Differences deriving from translation of the foreign subsidiaries opening equity to the exchange rates prevailing at the balance sheet date, and differences owing to the translation of the income statements of the foreign subsidiaries from average exchange rates to balance sheet date exchange rates are recognised in comprehensive income and classified as a separate reserve for exchange adjustments under equity.

#### Derivative financial instruments

The effective portion of changes to the fair value of derivative financial instruments which meet the criteria for hedging future cash flows are recognised in comprehensive income and in a separate reserve under equity. Income and expenses relating to these hedge transactions are reclassified from equity when the hedged item affects the income statement or the hedged transaction is no longer to take place. The amount is recognised in the same line as the hedged item. Fair value changes attributable to the time value of options are recognised in financial income or expenses in the income statement.

## Note 1 (continued)

### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### Cash flow hedge

The gain or loss relating to the ineffective portion is recognised immediately in the income statement within financial items. Amounts accumulated in comprehensive income are reclassified to the income statement in the period when the hedged item affects the income statement.

### Other derivatives

Changes to the fair value of other derivatives are recognised in the financial income or expenses.

## Income statement

### Recognition of sales and revenues

Sales represent the fair value of the sale of goods excluding value added tax and after deduction of provisions for returned products, rebates and trade discounts relating to the sale.

Provisions and accruals for rebates to customers are made in the period in which the related sales are recorded. Historical data are readily available and reliable and are used for estimating the amount of the reduction in sales.

Revenues from the sale of goods are recognised when all the following specific conditions have been met and the control over the goods has been transferred to the buyer.

- Significant risks and rewards of ownership of the goods have been transferred to the buyer.
- The revenues can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the LEGO Group.
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

These conditions are usually met by the time the products are delivered to the customers.

Licence fees are recognised on an accrual basis in accordance with the relevant agreements. Revenues are measured at the fair value of the consideration received or receivable.

Sale of goods that results in award credits under the LEGO Group's consumer loyalty programme, is accounted for as a multiple element revenue transaction and allocated between the goods supplied and the award credits granted.

### Deferred Revenue

Revenue attributable to gift cards and awarded credits granted is deferred and recognised as revenue when the gift cards and award credits are redeemed and the LEGO Group's obligations have been fulfilled.

Prepaid licence fee is recognised as deferred revenue until the criteria and conditions for revenue recognition in relevant agreements are met.

### Production costs

Production costs comprise costs incurred to achieve revenue for the year. Costs comprise raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc.

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

### Sales and distribution expenses

Sales and distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as depreciation, etc.

### Other operating expenses

Other operating expenses include royalty and research and development costs.

### Taxes

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in comprehensive income. In this case, the tax is also recognised in comprehensive income.

Deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their

## Note 1 (continued)

carrying amounts is provided in full in the Consolidated Financial Statements, using the liability method.

Deferred tax reflects the effect of any temporary differences. To the extent calculated deferred tax is positive, this is recognised in the balance sheet as a deferred tax asset at the expected realisable value. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Any changes in deferred tax due to changes in tax rates are recognised in the income statement.

### Balance sheet

#### Software and development projects

Research expenses are charged to the income statement as incurred. Software and development projects that are clearly defined and identifiable and which are expected to generate future economic profit are recognised as intangible non-current assets at historical cost less accumulated amortisation and any impairment loss. Amortisation is provided on a straight-line basis over the expected useful life which is normally 3–6 years. Other development costs are recognised in the income statement. An annual impairment test of the intangible assets under construction is performed.

Borrowing costs related to financing development projects that take a substantial period of time to complete and whose commencement date is on or after 1 January 2009 are included in the cost price.

#### Licences, patents and other rights

Acquired licences, patents and other rights are capitalised on the basis of the costs incurred. These costs are amortised over the shorter of their estimated useful lives and the contractual duration.

#### Property, plant and equipment

Land and buildings comprise mainly factories, warehouses and offices. Property, plant and equipment (PPE) are measured at cost, less subsequent depreciation and impairment losses, except for land, which is measured at cost less impairment losses.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	40 years
High bay warehouses	40 years
Installations	5–20 years
Plant and machinery	5–15 years
Moulds	2 years
Furniture, fittings and equipment	3–10 years

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Cost comprises acquisition price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets comprises direct expenses for wage consumption and materials. Borrowing costs related to financing self-constructed assets that take a substantial period of time to complete and whose commencement date is on or after 1 January 2009 are included in the cost price.

#### Leases

Leases of assets where the LEGO Group has substantially all risks and rewards of ownership are capitalised as finance leases under property, plant and equipment and depreciated over the estimated useful lives of the assets, according to the periods listed under the section property, plant and equipment. The corresponding finance lease liabilities are recognised in liabilities.

Operating lease expenses are recognised in the income statement on a straight-line basis over the period of the lease.

#### Impairment of assets

Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets under development are tested for impairment at each reporting date.

## Note 1 (continued)

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less expenses to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of raw materials, consumables and purchased goods comprises the invoice price plus delivery expenses. The cost of finished goods and work in progress comprises the purchase price of materials and direct labour costs plus indirect production costs. Indirect production costs include indirect materials and wages, maintenance and depreciation of plant and machinery, factory buildings and other equipment as well as expenses for factory administration and management.

### Other receivables and prepayments

Other receivables and prepayments recognised under assets include VAT, financial instruments, royalty and prepaid expenses on leases.

### Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less write down for losses. Provisions for losses are made based on an objective indication if an individual receivable or a portfolio of receivables is impaired.

## Equity

### Reserve for hedge accounting

The reserve for hedge accounting consists of the effective portion of gains and losses on hedging instruments designated as cash flow hedges.

### Reserve for currency translation

The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries' financial statements from their functional

currency into the LEGO Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognised in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

### Dividend distribution

Dividends are recognised as a liability in the period in which they are adopted at the Annual General Meeting.

## Liabilities

### Borrowings

Borrowings are initially recognised at fair value, net of transaction expenses incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the LEGO Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary employee benefits are accrued in the period in which the associated services are rendered by the employees of the LEGO Group. Where the LEGO Group provides long-term employee benefits, the costs are accumulated to match the rendering of the services by the employees concerned.

### Pension obligations

Costs regarding defined contribution plans are recognised in the income statement in the periods in which the related employee services are delivered.

Net obligations in respect of defined benefit pension plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Discount rates

## Note 1 (continued)

are based on the market yield of high quality corporate bonds in the country concerned approximating to the terms of the LEGO Group's pension obligations. The calculations are performed by a qualified actuary using the Projected Unit Credit Method. When the benefits of a plan are increased, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement over the vesting period. To the extent that the benefits are vested, the expense is recognised in the income statement immediately.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to comprehensive income in the period in which they occur.

Past service costs are recognised immediately in the income statement.

Net pension assets are recognised to the extent that the LEGO Group is able to derive future economic benefits in the way of refunds from the plan or reductions of future contributions.

### Provisions

Provisions are recognised when the LEGO Group identifies legal or constructive obligations as a result of past events and it is probable that it will lead to an outflow of resources that can be reliably estimated. In this connection, the LEGO Group makes the estimate based upon an evaluation of the individual, most likely outcome of the cases. In cases where a reliable estimate cannot be made, these are disclosed as contingent liabilities.

Further provisions for restructuring expenses are only recognised when the decision is made and announced before the balance sheet date. Provisions are not made for future operating losses.

Provisions are measured at the present value of the estimated obligation at the balance sheet date.

### Other liabilities

Other liabilities are measured at amortised cost unless specifically stated otherwise.

## Cash flow statement

The consolidated cash flow statement shows cash flows for the year broken down by operating, investing and financing activities, changes for the period in cash and bank overdrafts and cash and bank overdrafts at the beginning of the year.

Cash flows from operating activities are calculated indirectly as operating profit adjusted for non-cash items, financial expenses paid, income taxes paid and changes in working capital.

Cash flows from investing activities comprise payments relating to acquisitions and disposals of activities, intangible assets, property, plant and equipment, fixtures and fittings as well as fixed asset investments. Furthermore, they comprise interest and dividends received.

Cash flows from financing activities comprise proceeds from borrowings, repayment of interest-bearing debt and dividend paid to shareholders.

Cash and cash equivalents comprise cash that can readily be converted into cash reduced by short-term bank debt.

## Financial highlights

Economic value added (EVA) is calculated as adjusted profit before income tax less (average invested capital x WACC). Adjusted profit before income tax is calculated as profit before income tax adjusted for income and expenses of a non-recurring nature and interest expenses.

Financial ratios, except average invested capital, have been calculated in accordance with the "Guidelines and Financial Ratios 2015", issued by the Danish Society of Financial Analysts. Average invested capital is calculated as intangible assets, property, plant and equipment and net working capital excluding current tax, deferred tax and special items.



**Note 1 (continued)**

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	Return on equity (ROE)	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$	Return on invested capital (ROIC)	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Average invested capital}}$
Net profit margin	$\frac{\text{Net profit for the year} \times 100}{\text{Revenue}}$	Equity ratio	$\frac{\text{Equity} \times 100}{\text{Total liabilities and equity}}$

## Note 2. Significant accounting estimates and judgements

When preparing the Consolidated Financial Statements it is necessary that Management makes a number of accounting estimates and judgements that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses.

Estimates and judgements used in the determination of reported results are continuously evaluated. Management bases the judgements on historical experience and other assumptions that Management assesses are reasonable under the given circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The following accounting estimates and judgements are those that Management assesses to be material:

### Property, plant and equipment

Assessment of estimated residual value and useful life of property, plant and equipment requires estimates. It is Management's assessment that the estimates are reasonable (note 13).

### Inventories

Calculation of indirect production costs requires estimates and judgements regarding various assumptions. The sensitivity of the measurement to these assumptions can be significant. It is the assessment of Management that the assumptions and estimates made are reasonable (note 15).

### Trade receivables

Management makes allowance for doubtful trade receivables in anticipation of estimated losses resulting from the subsequent inability of customers to make required payments. Management analyses trade receivables and examines historical bad debt, customer concentrations, customer creditworthiness, payment history and changes in customer payment terms (note 16).

## Note 3. Revenue

(mDKK)	2017	2016
Sale of goods	34,383	37,379
Licence income	612	555
	<b>34,995</b>	<b>37,934</b>

## Note 4. Expenses by nature

(mDKK)	Note	2017	2016
Raw materials and consumables used		5,283	5,587
Employee expenses	6	6,676	6,788
Depreciation and amortisation	7	1,490	1,295
Licence and royalty expenses		2,583	2,893
Other external expenses		8,604	8,923
		<b>24,636</b>	<b>25,486</b>

## Note 5. Auditors' fees

(mDKK)	2017	2016
<b>Fee to PwC</b>		
Statutory audit of the Financial Statements	10	11
Other assurance engagements	1	3
Tax assistance	13	11
Other services	13	21
	<b>37</b>	<b>46</b>

## Note 6. Employee expenses

(mDKK)	Note	2017	2016
Wages and salaries		5,800	5,848
Termination benefit and restructuring		232	33
Pension costs	20	211	338
Other expenses and social security expenses		470	617
<b>Total employee costs for the year</b>		<b>6,713</b>	<b>6,836</b>
<b>Employee costs included in:</b>			
Intangible assets		(2)	(13)
Property, plant and equipment		(35)	(35)
<b>Total employee costs expensed in the income statement</b>		<b>6,676</b>	<b>6,788</b>
<b>Classified as:</b>			
Production costs		1,956	1,962
Sales and distribution expenses		2,825	2,899
Administrative expenses		1,547	1,546
Other operating expenses		348	381
		<b>6,676</b>	<b>6,788</b>
<b>Including Key Management Personnel (Executive Leadership Team) <sup>1</sup></b>			
Salaries		86	51
Pension		3	2
Short-term incentive plans		9	16
Long-term incentive plans		(3)	15
		<b>95</b>	<b>84</b>
Severance payments and other one-offs		31	–
Fee to Board of Directors		5	4

<sup>1</sup> The Executive Leadership Team has 12 members at the end of 2017 (5 in 2016).  
 Average number of members during the year is 8 (5 in 2016).

Incentive plans comprise a short-term incentive plan based on yearly performance and a long-term incentive plan related to long-term goals regarding value creation.

	2017	2016
Average number of employees (full-time)	16,480	16,836
Number of employees end of year (headcount)	17,534	19,061

## Note 7. Depreciation, amortisation and impairment

(mDKK)	2017	2016
Software	82	60
Licences, patents and other rights	13	13
Buildings and installations	284	192
Plant and machinery	891	805
Other fixtures and fittings, tools and equipment	220	225
	<b>1,490</b>	<b>1,295</b>
<b>Classified as:</b>		
Production costs	1,236	1,034
Sales and distribution expenses	151	134
Administrative expenses	103	127
	<b>1,490</b>	<b>1,295</b>

## Note 8. Research and development expenses

(mDKK)	2017	2016
Research and development expenses	550	567
	<b>550</b>	<b>567</b>

## Note 9. Financial income

(mDKK)	2017	2016
Interest income from credit institutions measured at amortised cost	12	11
Other interest income	1	4
	<b>13</b>	<b>15</b>

## Note 10. Financial expenses

(mDKK)	2017	2016
Interest expenses on mortgage loans measured at amortised cost	1	1
Interest expenses to related parties	23	19
Interest expenses to credit institutions measured at amortised cost	1	5
Other interest expenses	7	11
Exchange losses, net	139	36
	<b>171</b>	<b>72</b>

## Note 11. Tax on profit for the year

(mDKK)	2017	2016
Current tax on profit for the year	2,301	3,067
Deferred tax on profit for the year	(32)	(161)
Other tax for the year	30	5
Deferred tax, effect of change in tax rate	82	1
Adjustment of tax relating to previous years, current tax	(7)	23
Adjustment of tax relating to previous years, deferred tax	21	20
	<b>2,395</b>	<b>2,955</b>
<b>Income tax expenses are specified as follows:</b>		
Calculated 22.0% tax on profit for the year before income tax	2,244	2,726
<b>Tax effect of:</b>		
Higher/lower tax rate in subsidiaries	22	115
Non-taxable income	(1)	(5)
Non-deductible expenses	50	72
Deferred tax, not recognised on losses arising in the year	29	16
Deferred tax, effect of change in tax rate	82	1
Adjustment of tax relating to previous years	14	43
Other	(45)	(13)
	<b>2,395</b>	<b>2,955</b>
Effective tax rate	23.5%	23.8%

## Note 12. Intangible assets

2017 (mDKK)	Development projects	Software	Licences, patents and other rights	Total
Cost at 1 January	39	517	251	807
Exchange rate adjustment to year-end rate	(1)	(3)	(26)	(30)
Additions	33	2	–	35
<b>Cost at 31 December</b>	<b>71</b>	<b>516</b>	<b>225</b>	<b>812</b>
Amortisation and impairment losses at 1 January	–	247	209	456
Exchange rate adjustment to year-end rate	–	(5)	(21)	(26)
Amortisation for the year	–	82	13	95
<b>Amortisation and impairment losses at 31 December</b>	<b>–</b>	<b>324</b>	<b>201</b>	<b>525</b>
<b>Carrying amount at 31 December</b>	<b>71</b>	<b>192</b>	<b>24</b>	<b>287</b>

2016 (mDKK)	Development projects	Software	Licences, patents and other rights	Total
Cost at 1 January	139	325	231	695
Exchange rate adjustment to year-end rate	–	–	20	20
Additions	74	18	–	92
Transfers	(174)	174	–	–
<b>Cost at 31 December</b>	<b>39</b>	<b>517</b>	<b>251</b>	<b>807</b>
Amortisation and impairment losses at 1 January	–	187	176	363
Exchange rate adjustment to year-end rate	–	–	20	20
Amortisation for the year	–	60	13	73
<b>Amortisation and impairment losses at 31 December</b>	<b>–</b>	<b>247</b>	<b>209</b>	<b>456</b>
<b>Carrying amount at 31 December</b>	<b>39</b>	<b>270</b>	<b>42</b>	<b>351</b>

## Note 13. Property, plant and equipment

2017 (mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	6,353	8,207	2,292	1,457	18,309
Exchange adjustment to year-end rate	(100)	39	(116)	(103)	(280)
Additions	178	474	80	762	1,494
Disposals	(4)	(194)	(30)	–	(228)
Corrections	60	(398)	(96)	3	(431)
Transfers	13	340	380	(733)	–
<b>Cost at 31 December</b>	<b>6,500</b>	<b>8,468</b>	<b>2,510</b>	<b>1,386</b>	<b>18,864</b>
Depreciation and impairment losses at 1 January	1,001	4,497	1,099	–	6,597
Exchange adjustment to year-end rate	(11)	38	(57)	–	(30)
Depreciation for the year	184	891	220	–	1,295
Impairment losses for the year	100	–	–	–	100
Disposals	–	(167)	(26)	–	(193)
Corrections	(44)	(331)	(56)	–	(431)
Transfers	(30)	4	26	–	–
<b>Depreciation and impairment losses at 31 December</b>	<b>1,200</b>	<b>4,932</b>	<b>1,206</b>	<b>–</b>	<b>7,338</b>
<b>Carrying amount at 31 December</b>	<b>5,300</b>	<b>3,536</b>	<b>1,304</b>	<b>1,386</b>	<b>11,526</b>
Including assets under finance leases	9	–	–	–	9

### Property, plant and equipment in general

An obligation regarding the purchase of property, plant and equipment of DKK 980 million exists at 31 December 2017 (DKK 1,062 million at 31 December 2016).

The LEGO Group has impaired tangible assets amounting to DKK 100 million in 2017. The impairment losses are due to changes in the timing of expansion of production facilities.

### Assets under finance leases

Assets under finance leases consist of buildings.

**Note 13 (continued)**

2016 (mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	5,842	6,964	2,130	1,076	<b>16,012</b>
Exchange adjustment to year-end rate	(176)	(1)	(24)	(72)	<b>(273)</b>
Additions	112	903	214	1,679	<b>2,908</b>
Disposals	(4)	(250)	(84)	–	<b>(338)</b>
Transfers	579	591	56	(1,226)	<b>–</b>
<b>Cost at 31 December</b>	<b>6,353</b>	<b>8,207</b>	<b>2,292</b>	<b>1,457</b>	<b>18,309</b>
Depreciation and impairment losses at 1 January	826	3,931	954	–	<b>5,711</b>
Exchange adjustment to year-end rate	(16)	2	1	–	<b>(13)</b>
Depreciation for the year	192	805	225	–	<b>1,222</b>
Disposals	(1)	(241)	(81)	–	<b>(323)</b>
<b>Depreciation and impairment losses at 31 December</b>	<b>1,001</b>	<b>4,497</b>	<b>1,099</b>	<b>–</b>	<b>6,597</b>
<b>Carrying amount at 31 December</b>	<b>5,352</b>	<b>3,710</b>	<b>1,193</b>	<b>1,457</b>	<b>11,712</b>
Including assets under finance leases	15	–	–	–	<b>15</b>

**Note 14. Investments in associates**

(mDKK)	2017	2016
Cost at 1 January	4	4
<b>Cost at 31 December</b>	<b>4</b>	<b>4</b>
Value adjustment at 1 January	(1)	(1)
<b>Value adjustment at 31 December</b>	<b>(1)</b>	<b>(1)</b>
<b>Carrying amount at 31 December</b>	<b>3</b>	<b>3</b>

Investments in associates comprise of KABOOKI A/S, Denmark. The LEGO Group owns 19.8% of the share capital, and is considered to have significant influence in KABOOKI A/S as the LEGO Group is represented on the Board of

Directors of KABOOKI A/S. The company is therefore classified as investment in associates.



## Note 15. Inventories

(mDKK)	2017	2016
Raw materials	90	138
Work in progress	1,063	1,405
Finished goods	1,230	1,448
	<b>2,383</b>	<b>2,991</b>
Indirect production costs included in inventories	909	1,123
Share of total inventories	38.2%	37.5%
The cost of inventory recognised as an expense during the year	7,099	7,569
<b>Including:</b>		
Write-down of inventories to net realisable value (expense)/income	(11)	(69)

## Note 16. Trade receivables

(mDKK)	2017	2016
<b>Trade receivables (gross)</b>	<b>6,919</b>	<b>7,547</b>
<b>Provision for bad debts</b>		
Balance at 1 January	(373)	(360)
Exchange adjustment to year-end rate	26	(4)
Change in provision for the year	(249)	(28)
Realised losses for the year	10	19
<b>Balance at 31 December</b>	<b>(586)</b>	<b>(373)</b>
<b>Trade receivables (net)</b>	<b>6,333</b>	<b>7,174</b>

All trade receivables fall due within one year. Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as their fair value.

## Note 16 (continued)

The age distribution of gross trade receivables is as follows:

(mDKK)	2017	2016
Not overdue	6,467	7,152
0–60 days overdue	151	296
61–120 days overdue	233	22
121–180 days overdue	–	7
More than 180 days overdue	68	70
	<b>6,919</b>	<b>7,547</b>

The LEGO Group has no significant trade receivables concentrated in specific countries, but has some single significant trade debtors. The LEGO Group has fixed procedures for determining the LEGO Group's granting of credit.

The LEGO Group's risk relating to trade receivables is considered to be moderate. For more information, see note 25.

## Note 17. Share capital

	2017	2016
<b>The share capital consists of:</b>		
A-shares of DKK 100,000	9	9
A-shares of DKK 10,000	10	10
B-shares of DKK 500,000	3	3
B-shares of DKK 100,000	67	67
B-shares of DKK 10,000	80	80
C-shares of DKK 500,000	16	16
C-shares of DKK 100,000	20	20
<b>Total shares at 31 December</b>	<b>205</b>	<b>205</b>

The total number of shares is 205 (205 in 2016). All issued shares are fully paid up.

Each ordinary A-share of DKK 1,000 gives 10 votes, while each ordinary B-share of DKK 1,000 gives 1 vote, and each ordinary C-share of DKK 1,000 gives 1 vote. C-shares can as a maximum receive an annual dividend of 8%.

**Shareholders that own more than 5% of the share capital:**  
 KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark  
 Koldingvej 2, Billund A/S, Koldingvej 2, 7190 Billund, Denmark

## Note 18. Dividend per share

Dividend of DKK 7,000 million was paid in May 2017, corresponding to DKK 34.1 million in average per share (DKK 7,000 million in 2016, DKK 34.1 million in average per share).

Proposed dividend for 2017 is DKK 7,000 million, corresponding to DKK 34.1 million in average per share.

## Note 19. Deferred tax

(mDKK)	2017	2016
Deferred tax, net at 1 January	571	390
Change in tax rates recognised in income statement	(82)	(1)
Exchange rate adjustments	(36)	14
Income statement charge	11	141
Charged to comprehensive income	(31)	27
<b>Deferred tax, net at 31 December</b>	<b>433</b>	<b>571</b>
<b>Classified as:</b>		
Deferred tax assets	591	611
Deferred tax liabilities	(158)	(40)
	<b>433</b>	<b>571</b>

**Note 19 (continued)**

2017 (mDKK)	Deferred tax assets	Deferred tax liabilities	Deferred tax net
Non-current assets	60	(132)	<b>(72)</b>
Inventories	229	(128)	<b>101</b>
Receivables	85	(1)	<b>84</b>
Provisions	187	–	<b>187</b>
Other liabilities	136	(21)	<b>115</b>
Offset	(124)	124	–
Tax loss carry-forwards	18	–	<b>18</b>
	<b>591</b>	<b>(158)</b>	<b>433</b>

2016 (mDKK)	Deferred tax assets	Deferred tax liabilities	Deferred tax net
Non-current assets	132	(167)	<b>(35)</b>
Inventories	271	(138)	<b>133</b>
Receivables	77	(1)	<b>76</b>
Provisions	164	–	<b>164</b>
Other liabilities	156	(41)	<b>115</b>
Other	121	(22)	<b>99</b>
Offset	(329)	329	–
Tax loss carry-forwards	19	–	<b>19</b>
	<b>611</b>	<b>(40)</b>	<b>571</b>

**Tax loss carry-forwards**

Tax assets arising from tax losses carried forward are capitalised based on an assessment of whether they can be utilised in the future.

DKK 18 million of the LEGO Group's capitalised tax losses expire after 5 years (DKK 19 million in 2016 expire after 5 years).

## Note 20. Pension obligations

### Defined contribution plans

In defined contribution plans, the LEGO Group recognises in the income statement the premium payments (e.g. a fixed amount or a fixed percentage of the salary) to the independent insurance companies responsible for the pension obligations. Once the pension contributions for defined contribution plans have been paid, the LEGO Group has no further pension obligations towards current or past employees. The pension plans in the Danish companies and some of the foreign companies are defined contribution plans. In the LEGO Group, DKK 216 million (DKK 239 million in 2016) have been recognised in the income statement as costs relating to defined contribution plans.

### Defined benefit plans

In defined benefit plans, the LEGO Group is obliged to pay a certain pension benefit. The major defined benefit plans in the LEGO Group include employees in Germany and in the US. In the LEGO Group, a net obligation of DKK 184 million (DKK 198 million in 2016) has been recognised relating to the LEGO Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. In the LEGO Group, DKK 1 million (DKK 105 million in 2016) has been recognised in the income statement as costs and DKK 3 million (DKK 9 million in 2016) has been expensed in comprehensive income.

(mDKK)	2017	2016
<b>The amounts recognised in the balance sheet are calculated as follows:</b>		
Present value of funded obligations	(154)	(164)
Fair value of plan assets	141	142
	(13)	(22)
Present value of unfunded obligations	(171)	(176)
<b>Net liability recognised in the balance sheet</b>	<b>(184)</b>	<b>(198)</b>
Of which included as part of the liabilities	(184)	(198)
<b>The change in present value of defined benefit obligations for the year is as follows:</b>		
Present value at 1 January	(340)	(248)
Exchange adjustment to year-end rate	16	17
Pension costs relating to current year	(12)	(99)
Pension costs relating to prior year	17	–
Interest expenses	(9)	(11)
Remeasurement gains/(losses)	(6)	(12)
Benefits paid	9	13
<b>Present value at 31 December</b>	<b>(325)</b>	<b>(340)</b>

**Note 20 (continued)**

(mDKK)	2017	2016
<b>The change in fair value of plan assets for the year is as follows:</b>		
Plan assets at 1 January	142	153
Exchange adjustment to year-end rate	(3)	(15)
Interest income	3	5
Remeasurement gains/(losses)	3	3
Benefits paid	(4)	(4)
<b>Plan assets at 31 December</b>	<b>141</b>	<b>142</b>
<b>Movements in the net liability recognised in the balance sheet are as follows:</b>		
Net liability at 1 January	(198)	(95)
Exchange adjustment to year-end rate	13	2
Total expenses charged to the income statement	(1)	(105)
Total expenses charged to comprehensive income	(3)	(9)
Contributions paid	5	9
<b>Net liability at 31 December</b>	<b>(184)</b>	<b>(198)</b>
The actual return on plan assets amounts to	6	6

The actuarial assumptions applied in the calculations vary from country to country due to local economic and social conditions. The average assumptions applied are specified as follows:

	2017	2016
Discount rate	1%–8%	1%–8%
Future salary increases	1%–6%	1%–6%
Future pension increases	2%–3%	1%–3%

## Note 21. Other debt

(mDKK)	2017	2016
Wage-related payables and other charges	1,411	1,618
Finance lease obligations	16	23
VAT and other indirect taxes	405	403
Amortised debt	88	127
Discounts	1,029	1,061
Other liabilities to related parties	443	442
Other current liabilities	1,185	1,708
	<b>4,577</b>	<b>5,382</b>
<b>Specified as follows:</b>		
Non-current	80	197
Current	4,497	5,185
	<b>4,577</b>	<b>5,382</b>

### Finance lease obligations

The fair value of obligations regarding assets under finance leases corresponds to the carrying amount.

The fair value is estimated to equal the present value of expected future cash flows at a market interest rate for similar leases.

(mDKK)	2017	2016
<b>Obligations regarding finance leases are as follows:</b>		
0–1 year	8	6
1–5 years	10	21
> 5 years	–	–
	<b>18</b>	<b>27</b>
<b>Reconciliation of carrying amount and gross liability:</b>		
Carrying amount of the liability	16	23
Interest expenses not yet accrued	2	4
<b>Gross liability</b>	<b>18</b>	<b>27</b>

No contingent leases have been recognised in expenses in 2017 or 2016. None of the assets under finance leases have been subleased.

## Note 22. Provisions

2017 (mDKK)	Restructuring	Other	Total
Provisions at 1 January	55	71	126
Exchange adjustment to year-end rate	(2)	(3)	(5)
Additions	262	32	294
Used	(106)	(9)	(115)
Reversed	(15)	(10)	(25)
<b>Provisions at 31 December</b>	<b>194</b>	<b>81</b>	<b>275</b>

**Specified as follows:**

Non-current	56
Current	219
	<b>275</b>

2016 (mDKK)	Restructuring	Other	Total
Provisions at 1 January	41	77	118
Exchange adjustment to year-end rate	(1)	1	–
Additions	40	25	65
Used	(19)	(8)	(27)
Reversed	(6)	(24)	(30)
<b>Provisions at 31 December</b>	<b>55</b>	<b>71</b>	<b>126</b>

**Specified as follows:**

Non-current	54
Current	72
	<b>126</b>

Provisions for restructuring obligations relate primarily to redundancy programmes. The majority of these obligations are expected to result in cash outflows in 2018.

Other provisions consist of various types of provisions, primarily provisions for asset retirement regarding leased premises.



## Note 23. Deferred revenue

(mDKK)	2017	2016
Consumer loyalty programme	112	128
Other	102	145
	<b>214</b>	<b>273</b>
<b>Specified as follows:</b>		
Non-current	36	36
Current	178	237
	<b>214</b>	<b>273</b>

## Note 24. Contingent assets, contingent liabilities and other obligations

(mDKK)	2017	2016
Guarantees	647	681
Operating lease obligations	2,438	2,873
Other obligations	259	266
	<b>3,344</b>	<b>3,820</b>

Guarantees relate to bank guarantees for commitments.

The LEGO Group has entered various contracts with vendors on usual terms and conditions of sales.

The LEGO Group leases various offices, LEGO Brand Retail stores, warehouses and plant and machinery under

non-cancellable operating leases. The leases have varying terms, clauses and rights.

The LEGO Group also leases plant and machinery under cancellable operating leases. The LEGO Group is required to give various notices of termination of these agreements.

(mDKK)	2017	2016
Lease expenses for the year charged to the income statement amount to	858	820

**Note 24 (continued)**

**Future minimum lease payments under non-cancellable operating leases are specified as follows:**

(mDKK)	2017	2016
<b>Related parties</b>		
0–1 year	58	51
1–5 years	166	118
> 5 years	175	181
	<b>399</b>	<b>350</b>
<b>Other</b>		
0–1 year	517	569
1–5 years	1,111	1,388
> 5 years	411	566
	<b>2,039</b>	<b>2,523</b>

Security has been given in land, buildings and installations with a net carrying amount of DKK 462 million (DKK 429 million in 2016) for the LEGO Group's mortgage loans.

The LEGO Group has utilised tax losses in non-Danish jurisdictions in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 90 million (DKK 90 million in 2016), of which DKK 0 million has been recognised as a provision for deferred tax. The amount of DKK 90 million (DKK 90 million in 2016) is not expected to be recaptured.

The Danish companies in the LEGO Group are jointly and severally liable for corporate income tax according to the joint taxation in the LEGO Group, KIRKBI A/S and in the companies controlled by KIRKBI A/S. The total amount of current tax liabilities, as well as related current tax credit counterparts are shown in the Annual Report of KIRKBI A/S, which is the administration company of the joint taxation. The Danish companies in the LEGO Group are furthermore jointly and severally liable for Danish taxes at source withheld on behalf of nonresident companies for dividend, royalty and interest.



## Note 25. Financial risks

The LEGO Group has centralised the management of the financial risks. The overall objectives and policies for the LEGO Group's financial risk management are outlined in an internal Treasury Policy.

The LEGO Group only hedges commercial exposures and consequently does not enter into derivative transactions for trading or speculative purpose. A fully integrated Treasury Management System is used to manage all financial positions.

### Credit risk

Financial instruments are entered into with counterparties with investment grade level ratings. Similarly, the LEGO Group only uses insurance companies with investment grade level ratings.

For trade receivables the exposures are managed globally through fixed procedures, and credit limits set as deemed appropriate for the customer taking into account current local market conditions. The LEGO Group has no significant trade receivables risk concentrated in specific countries, but has some single significant trade debtors. Credit risk relating to trade receivables is disclosed in note 16.

For banks and financial institutions, only independently rated parties with investment grade level ratings are accepted as main banks. The LEGO Group uses the related company KIRKBI Invest A/S for loans and deposits. No independent rating exists but no significant risks are recognised. The maximum credit risk corresponds to the carrying amount of loans granted and receivables disclosed in note 26.

The overall credit risk of the LEGO Group is considered to be low.

### Foreign exchange risk

The LEGO Group's presentation currency is DKK, but the majority of The LEGO Groups activities and investments are denominated in other currencies. Consequently, there are a substantial risk of exchange rate fluctuations having an impact on The LEGO Group's reported cash flow, profit(loss) and/or financial position in DKK.

The LEGO Group's foreign exchange risk is managed centrally based on a Treasury policy approved by the Board of Directors. Forward contracts and options are used to cover purchases and sales in foreign currencies. These forward contracts and options are classified as hedging when they meet the accounting requirements for hedging future cash flows.

The isolated effects of the financial instruments on profit and equity after tax of a currency strengthening of 10% against DKK at 31. December 2017 are specified below for the most important currencies in the LEGO Group. The sensitivities are based only on the impact of the financial instruments that are outstanding at the balance sheet date. The financial instruments included in the analysis are the LEGO Group's: Cash, Account receivables, Account payable, Borrowings, foreign exchange forwards and foreign exchange options.

(mDKK)	%-change	2017	2016
<b>EUR</b>			
Equity	10%	(38)	85
Net profit for the year	10%	(38)	85
<b>USD</b>			
Equity	10%	12	(246)
Net profit for the year	10%	53	47
<b>GBP</b>			
Equity	10%	12	53
Net profit for the year	10%	–	(7)
<b>CZK</b>			
Equity	10%	94	119
Net profit for the year	10%	94	119
<b>MXN</b>			
Equity	10%	103	96
Net profit for the year	10%	103	78
<b>HUF</b>			
Equity	10%	109	118
Net profit for the year	10%	109	118
<b>CNY</b>			
Equity	10%	152	139
Net profit for the year	10%	152	139

## Note 25 (continued)

### Interest rate risk

The LEGO Group's interest rate risk relates to interest-bearing debt and interest-bearing assets. The LEGO Group's interest-bearing assets consist mainly of bank deposits and deposit with KIRKBI Invest A/S. An increase in the interest level of 1.0% for 2017 would have had a positive impact on the LEGO Group's profit before tax of approx. DKK 34.4 million in 2017 (DKK 21.6 million in 2016). The LEGO Group's interest rate risk is considered immaterial and is not expected to have a significant impact on the LEGO Group's results.

### Liquidity risk

Liquidity is managed centrally and is continually assessed. It is ensured that, at any given time, sufficient financial resources are available. Based on the financial reserves with banks and credit facilities available in credit institutions and from related parties, there are no significant liquidity risks. Furthermore, excess liquidity is placed at KIRKBI Invest A/S, which is why the counterparty risk is assessed to be low.

### Capital risk management

Dividend of DKK 7,000 million has been paid in May 2017 (DKK 7,000 million in 2016).

It is expected that the dividend for 2017, to be paid in 2018, will amount to DKK 7,000 million.

The dividend payment reflects the strategy behind the capital structure where the LEGO Group is the operational company and any surplus liquidity is distributed to the owners.

## Note 26. Financial assets and liabilities

The maturity profile of financial liabilities is disclosed according to category and class distributed on period to maturity. All interest payments on and repayments of financial assets and liabilities are based on contracts. None of the cash flows are discounted.

At 31 December 2017 forward contracts and options have been applied for hedging of cash flows covering future financial periods. The hedging mainly relates to the LEGO Group's sales of goods and services in USD, EUR, GBP, JPY, AUD and CAD as well as purchases of goods in CZK, MXN and HUF. All contracts are expected to expire - and thus affect results - in the financial year 2018.

**Note 26 (continued)**

The following table shows the timing of cash flows related to financial liabilities and hedging instruments

2017 (mDKK)	Carrying amount	Fair value	0–1 year	1–5 years	Over 5 years	Total cash flows
<b>Measured at amortised cost (liabilities)</b>						
Debt to credit institutions	178	178	11	43	130	184
Debt to related parties	600	600	619	–	–	619
Trade payables	2,811	2,811	2,811	–	–	2,811
Other debt <sup>1</sup>	2,751	2,751	2,759	10	–	2,769
	6,340	6,340	6,200	53	130	6,383
<b>Derivative financial instruments</b>						
Measured at fair value through the income statement	2	2	2	–	–	2
Measured at fair value through comprehensive income (cash flow hedging)	1	1	1	–	–	1
	3	3	3	–	–	3
<b>Total financial liabilities</b>	<b>6,343</b>	<b>6,343</b>	<b>6,203</b>	<b>53</b>	<b>130</b>	<b>6,386</b>
<b>Measured at amortised cost (loans and receivables)</b>						
Trade receivables	6,333	6,333	6,333	–	–	6,333
Other receivables <sup>1</sup>	426	426	426	–	–	426
Receivables from related parties	6,688	6,688	6,688	–	–	6,688
Cash at banks	762	762	762	–	–	762
	14,209	14,209	14,209	–	–	14,209
<b>Derivative financial instruments</b>						
Measured at fair value through the income statement	53	53	53	–	–	53
Measured at fair value through comprehensive income (cash flow hedging)	44	44	44	–	–	44
	97	97	97	–	–	97
<b>Total financial assets</b>	<b>14,306</b>	<b>14,306</b>	<b>14,306</b>	<b>–</b>	<b>–</b>	<b>14,306</b>

<sup>1</sup> Non-contractual items such as taxes, duties payable and wage related payables are excluded from other receivables and other debt balance as this analysis is only required for financial instruments.

**Note 26 (continued)**

2016 (mDKK)	Carrying amount	Fair value	0–1 year	1–5 years	Over 5 years	Total cash flows
<b>Measured at amortised cost (liabilities)</b>						
Debt to credit institutions	219	219	43	43	142	228
Debt to related parties	600	600	19	619	–	638
Trade payables	2,837	2,837	2,837	–	–	2,837
Other debt <sup>1</sup>	3,112	3,112	3,095	21	–	3,116
	6,768	6,768	5,994	683	142	6,819
<b>Derivative financial instruments</b>						
Measured at fair value through the income statement	55	55	55	–	–	55
Measured at fair value through comprehensive income (cash flow hedging)	157	157	157	–	–	157
	212	212	212	–	–	212
<b>Total financial liabilities</b>	<b>6,980</b>	<b>6,980</b>	<b>6,206</b>	<b>683</b>	<b>142</b>	<b>7,031</b>
<b>Measured at amortised cost (loans and receivables)</b>						
Trade receivables	7,174	7,174	7,174	–	–	7,174
Other receivables <sup>1</sup>	642	642	642	–	–	642
Receivables from related parties	4,350	4,350	4,350	–	–	4,350
Cash at banks	906	906	906	–	–	906
	13,072	13,072	13,072	–	–	13,072
<b>Derivative financial instruments</b>						
Measured at fair value through the income statement	8	8	8	–	–	8
Measured at fair value through comprehensive income (cash flow hedging)	55	55	55	–	–	55
	63	63	63	–	–	63
<b>Total financial assets</b>	<b>13,135</b>	<b>13,135</b>	<b>13,135</b>	<b>–</b>	<b>–</b>	<b>13,135</b>

<sup>1</sup> Non-contractual items such as taxes, duties payable and wage related payables are excluded from other receivables and other debt balance as this analysis is only required for financial instruments.

## Note 26 (continued)

Financial assets and liabilities measured at fair value concern derivative financial instruments. The calculation of fair value of the LEGO Group's derivative financial instruments is based on observable inputs like interest rates etc. (level 2) as per the IFRS Fair Value Hierarchy listed below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

## Note 27. Derivative financial instruments

### Total hedging activities

The LEGO Group uses a number of forward contracts and options to hedge currency exposure. The hedging activities are categorised into hedging of forecast transactions (cash flow hedges), and hedging of assets and liabilities (fair value hedges).

The changes in fair value of the financial instruments qualifying for hedge accounting are recognised directly

under comprehensive income until the hedged items affect the income statement. The changes in fair value of the financial instruments not qualifying for hedge accounting are recognised directly in the income statement. This includes time value of options.

All changes in fair value of hedging of assets and liabilities (fair value hedging) are recognised directly in the income statement.



**Note 27 (continued)**

The table below shows the fair value of hedging activities specified by hedging instruments and the major currencies

2017 (mDKK)	Contract amount	Positive fair value	Negative fair value	Period covered
<b>Hedging of forecast transactions qualifying for hedge accounting</b>				
USD (sale of currency)	497	29	–	8 months
GBP (sale of currency)	147	1	1	10 months
Other (sale of currency)	213	4	–	9 months
<b>Total forward contracts</b>	<b>857</b>	<b>34</b>	<b>1</b>	
<b>Hedging of balance items qualifying for hedge accounting</b>				
USD (sale of currency)	124	9	–	3 months
GBP (sale of currency)	42	1	–	4 months
<b>Total currency options</b>	<b>166</b>	<b>10</b>	<b>–</b>	
<b>Hedging of balance items qualifying for hedge accounting</b>				
USD (sale of currency)	173	16	1	2 months
JPY (sale of currency)	55	11	–	2 months
GBP (sale of currency)	101	2	–	2 months
CZK (purchase of currency)	61	2	–	2 months
Other (purchase of currency)	378	1	–	2 months
Other (sale of currency)	203	7	1	2 months
<b>Total forward contracts</b>	<b>971</b>	<b>39</b>	<b>2</b>	
USD (sale of currency)	155	13	–	2 months
<b>Total currency options</b>	<b>155</b>	<b>13</b>	<b>–</b>	
<b>Total for which hedge accounting applies</b>	<b>2,149</b>	<b>96</b>	<b>3</b>	
<b>Other forecast transaction hedges for which hedge accounting is not applied</b>				
Options (time value)	–	1	–	3 months
<b>Total currency options</b>	<b>–</b>	<b>1</b>	<b>–</b>	
<b>Total for which hedge accounting is not applied</b>	<b>–</b>	<b>1</b>	<b>–</b>	
<b>Total of forecast transactions</b>	<b>2,149</b>	<b>97</b>	<b>3</b>	

**Note 27 (continued)**

2016 (mDKK)	Contract amount	Positive fair value	Negative fair value	Period covered
<b>Hedging of forecast transactions qualifying for hedge accounting</b>				
USD (sale of currency)	3,184	2	111	12 months
JPY (sale of currency)	421	40	–	14 months
GBP (sale of currency)	799	4	13	12 months
Other (purchase of currency)	248	–	6	11 months
Other (sale of currency)	1,221	9	15	12 months
<b>Total forward contracts</b>	<b>5,873</b>	<b>55</b>	<b>145</b>	
USD (sale of currency)	568	–	12	9 months
<b>Total currency options</b>	<b>568</b>	<b>–</b>	<b>12</b>	
<b>Hedging of balance items qualifying for hedge accounting</b>				
USD (sale of currency)	604	–	25	2 months
JPY (sale of currency)	148	2	4	2 months
GBP (sale of currency)	87	–	1	2 months
CZK (purchase of currency)	94	–	–	2 months
Other (purchase of currency)	212	–	2	2 months
Other (sale of currency)	337	2	5	2 months
<b>Total forward contracts</b>	<b>1,482</b>	<b>4</b>	<b>37</b>	
USD (sale of currency)	167	–	–	2 months
<b>Total currency options</b>	<b>167</b>	<b>–</b>	<b>–</b>	
<b>Total for which hedge accounting applies</b>	<b>8,090</b>	<b>59</b>	<b>194</b>	
<b>Other forecast transaction hedges for which hedge accounting is not applied:</b>				
Other	24	–	–	2 months
<b>Total forward contracts</b>	<b>24</b>	<b>–</b>	<b>–</b>	
Options (time value)	–	4	18	9 months
<b>Total currency options</b>	<b>–</b>	<b>4</b>	<b>18</b>	
<b>Total for which hedge accounting is not applied</b>	<b>24</b>	<b>4</b>	<b>18</b>	
<b>Total of forecast transactions</b>	<b>8,114</b>	<b>63</b>	<b>212</b>	

## Note 28. Cash generated from operations

(mDKK)	Note	2017	2016
<b>Profit before income tax</b>		<b>10,201</b>	<b>12,391</b>
<b>Adjustments for</b>			
Depreciation and amortisation of non-current assets	7,13	1,390	1,295
Impairment of non-current assets	7,13	100	–
Net loss on sale of non-current assets		29	7
Net movement in provisions		155	8
Remeasurements of defined benefit plans		(3)	(9)
Net movement in pension obligations		(2)	103
Financial income and expenses	9,10	158	57
Hedge accounting		146	(111)
<b>Changes in working capital</b>			
Trade receivables		593	(800)
Inventory		600	(252)
Other receivables		149	(114)
Prepayments		(10)	48
Trade payables		(3)	(231)
Deferred revenue		(44)	23
Other debt		(724)	53
<b>Cash generated from operations</b>		<b>12,735</b>	<b>12,468</b>

## Note 29. Cash at banks

(mDKK)	2017	2016
Cash at banks	762	906
	<b>762</b>	<b>906</b>

## Note 30. Related party transactions

The Parent of the LEGO Group is LEGO A/S, a company incorporated in Denmark, whose shares are owned by KIRKBI A/S (75%) and Koldingvej 2, Billund A/S (25%). The shares in KIRKBI A/S are wholly owned by the Kirk Kristiansen family (Billund, Denmark). Related parties are

considered to be Key Management, KABOOKI A/S, KIRKBI A/S, subsidiaries of KIRKBI Invest A/S and Merlin Entertainments Group, in which the above-mentioned family has significant interest. None of the related party transactions are secured.

### The following transactions were carried through with related parties

(mDKK)	2017	2016
<b>Transactions with KIRKBI A/S</b>		
Sale of assets	–	4
Acquisitions of assets	–	(29)
Rent charged	(41)	(39)
Other transactions received	31	24
Other transactions charged	(41)	(2)
	<b>(51)</b>	<b>(42)</b>
<b>Transactions with Koldingvej 2, Billund A/S</b>		
Rent charged	(3)	–
Other transactions received	188	99
Other transactions charged	(3)	–
	<b>182</b>	<b>99</b>
<b>Transactions with associates</b>		
Purchase of products	(5)	(5)
Trademark fee received	7	12
	<b>2</b>	<b>7</b>
<b>Transactions with KIRKBI Invest A/S Group</b>		
Trademark fee charged	(1,258)	(1,363)
Rent charged	(17)	(24)
Interest charged	(23)	(19)
Other transactions received	59	40
Other transactions charged	(5)	–
	<b>(1,244)</b>	<b>(1,366)</b>
<b>Transactions with Merlin Entertainments Group</b>		
Sale of products	525	511
Trademark fee received	28	24
Other transactions received	8	3
Other transactions charged	(7)	(9)
	<b>554</b>	<b>529</b>

**Note 30 (continued)**

(mDKK)	2017	2016
<b>Transactions with other related parties</b>		
Sale of products	3	1
Donations received	31	23
Rent charged	–	(1)
Other transactions received	2	2
	<b>36</b>	<b>25</b>

Remuneration to Key Management Personnel is disclosed in note 6. Transactions with related parties were carried out on an arm's length basis.

**Year-end balances arising from transactions with related parties**

(mDKK)	2017	2016
<b>Balances with KIRKBI A/S</b>		
Receivables	8	8
Payables	(28)	–
	<b>(20)</b>	<b>8</b>
<b>Balances with Koldingvej 2, Billund A/S</b>		
Receivables	68	85
Payables	(5)	–
	<b>63</b>	<b>85</b>
<b>Balances with associates</b>		
Receivables	5	6
Payables	(1)	(1)
	<b>4</b>	<b>5</b>
<b>Balances with KIRKBI Invest A/S Group</b>		
Receivables	24	21
Payables	(449)	(456)
	<b>(425)</b>	<b>(435)</b>

**Note 30 (continued)**

(mDKK)	2017	2016
<b>Balances with Merlin Entertainments Group</b>		
Receivables	62	71
Payables	(1)	(1)
	<b>61</b>	<b>70</b>
<b>Balances with other related parties</b>		
Receivables	2	1
	<b>2</b>	<b>1</b>

**Year-end balances regarding loan investments and borrowings**

(mDKK)	2017	2016
<b>Balances with KIRKBI Invest A/S</b>		
<b>Loan investments</b>		
Balance at 1 January	4,350	4,932
Loans advanced during the year	12,472	13,715
Repayments	(10,130)	(14,297)
Interest received	(4)	–
<b>Balance at 31 December</b>	<b>6,688</b>	<b>4,350</b>
<b>Specified as follows:</b>		
Non-current	–	–
Current	6,688	4,350
	<b>6,688</b>	<b>4,350</b>
<b>Loan borrowings</b>		
Balance at 1 January	(600)	(600)
<b>Balance at 31 December</b>	<b>(600)</b>	<b>(600)</b>
<b>Specified as follows:</b>		
Non-current	–	(600)
Current	(600)	–
	<b>(600)</b>	<b>(600)</b>

# Parent Company

# Financial Statements



# Income Statement

1 January – 31 December

(mDKK)	Note	2017	2016
<b>Income statement</b>			
Revenue		119	126
Gross profit		119	126
Other operating expenses	2	(121)	(85)
Operating profit		(2)	41
Net profit for the year from subsidiaries	8	7,762	9,402
Financial income	3	103	95
Financial expenses	4	(112)	(109)
Profit before income tax		7,751	9,429
Tax on profit for the year	5	24	(24)
<b>Net profit for the year</b>		<b>7,775</b>	<b>9,405</b>



# Balance Sheet

31 December

(mDKK)	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Patents		3	4
Intangible assets	6	3	4
Land, buildings and installations		6	6
Property, plant and equipment	7	6	6
Deferred tax assets	10	8	10
Investments in subsidiaries	8	19,748	20,623
Investments in associates	8	3	3
Current tax receivables		34	–
Receivables from subsidiaries		1,696	1,678
Other non-current assets		21,489	22,314
Total non-current assets		21,498	22,324
<b>Current assets</b>			
Other receivables		5	5
Total current assets		5	5
<b>Total assets</b>		<b>21,503</b>	<b>22,329</b>

# Balance Sheet

31 December

(mDKK)	Note	2017	2016
<b>EQUITY</b>			
Share capital	9	20	20
Reserve from the use of the equity method		5,305	4,680
Retained earnings		8,415	8,404
Proposed dividend		7,000	7,000
<b>Total equity</b>		<b>20,740</b>	<b>20,104</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Debt to related parties	12	–	600
<b>Total non-current liabilities</b>		<b>–</b>	<b>600</b>
<b>Current liabilities</b>			
Trade payables		7	8
Current tax liabilities		–	8
Debt to subsidiaries		–	1,458
Debt to related parties	12	600	–
Other debt		156	151
<b>Total current liabilities</b>		<b>763</b>	<b>1,625</b>
<b>Total liabilities</b>		<b>763</b>	<b>2,225</b>
<b>Total equity and liabilities</b>		<b>21,503</b>	<b>22,329</b>

## Statement of Changes in Equity

2017 (mDKK)	Share capital	Reserve from the use of the equity method	Retained earnings	Proposed dividend	Total equity
Balance at 1 January	20	4,680	8,404	7,000	20,104
Dividend paid relating to prior year	–	–	–	(7,000)	(7,000)
Profit for the year	–	764	11	7,000	7,775
Currency translation adjustments	–	(253)	–	–	(253)
Entries recognised directly on equity in subsidiaries	–	114	–	–	114
<b>Balance at 31 December</b>	<b>20</b>	<b>5,305</b>	<b>8,415</b>	<b>7,000</b>	<b>20,740</b>

2016 (mDKK)	Share capital	Reserve from the use of the equity method	Retained earnings	Proposed dividend	Total equity
Balance at 1 January	20	5,877	4,949	7,000	17,846
Dividend paid relating to prior year	–	–	–	(7,000)	(7,000)
Profit for the year	–	(1,050)	3,455	7,000	9,405
Currency translation adjustments	–	(54)	–	–	(54)
Entries recognised directly on equity in subsidiaries	–	(93)	–	–	(93)
<b>Balance at 31 December</b>	<b>20</b>	<b>4,680</b>	<b>8,404</b>	<b>7,000</b>	<b>20,104</b>

# Notes

## Basis for preparation

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## Income Statement

### Note

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## Balance Sheet and other disclosures

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## Note 1. Significant accounting policies

The Financial Statements of the Parent Company have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C (large-sized).

The accounting policies are the same as for the Consolidated Financial Statements with the following additions.

The accounting policies are unchanged from the latest financial year.

### Supplementary accounting policies for the Parent Company

#### Taxes

Current income tax, based on taxable income for the year, is expensed together with changes in deferred tax for the year.

Deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts is provided in full using the liability method.

The provision of deferred tax reflects the effect of any tax losses carried forward etc. to the extent it is considered likely that such items can be utilised against future taxable income. To the extent calculated deferred tax is positive, this is recognised in the balance sheet as a deferred tax asset at the expected realisable value.

Any changes in deferred tax due to changes in tax rates are recognised in the income statement.

#### Investments in subsidiaries and associates

Subsidiaries and associates of the Parent Company are recognised under the equity method, which is at the respective share of the net asset values in subsidiaries and associates.

Any costs in excess of net assets in the acquired company are capitalised in the Parent Company under investments in subsidiaries as part of the investments ("Goodwill"). Amortisation of the goodwill is provided under the straight-line method over a period not exceeding 5 years based on estimated useful life.

To the extent it exceeds declared dividend from subsidiaries, net revaluation of investments in subsidiaries and associates is transferred to net revaluation reserve according to the equity method under equity.

Profits in subsidiaries and associates are disclosed as profit after tax in the income statement of the Parent Company.

#### Equity

##### Dividend distribution

Dividend distribution proposed by Management for the financial year is disclosed as a separate item under equity.

## Note 2. Employee expenses

(mDKK)	2017	2016
<b>Executive Leadership Team <sup>1</sup></b>		
Salaries	86	51
Pension	3	2
Short-term incentive plans	9	16
Long-term incentive plans	(3)	15
	<b>95</b>	<b>84</b>
Severance payments and other one-offs	31	–
Including fee to Board of Directors	5	4
Number of employees (headcount)	12	5

<sup>1</sup> Employee expenses to Executive Leadership Team are the total amount expensed in all entities within the LEGO Group.

## Note 3. Financial income

(mDKK)	2017	2016
Interest income from subsidiaries	98	92
Exchange gains, net	5	3
	<b>103</b>	<b>95</b>

## Note 4. Financial expenses

(mDKK)	2017	2016
Interest expenses to subsidiaries	93	90
Interest expenses to related parties	19	19
	<b>112</b>	<b>109</b>

## Note 5. Tax on profit for the year

(mDKK)	2017	2016
Current tax on profit for the year	(26)	26
Deferred tax on profit for the year	22	(3)
Revaluation of deferred tax assets and liabilities	(20)	–
Other tax for the year	5	–
Adjustment of tax relating to previous years, current tax	(5)	1
	<b>(24)</b>	<b>24</b>

## Note 6. Intangible assets

2017 (mDKK)	Patents
Cost at 1 January	10
<b>Cost at 31 December</b>	<b>10</b>
Amortisation and impairment losses at 1 January	6
Amortisation for the year	1
<b>Amortisation and impairment losses at 31 December</b>	<b>7</b>
<b>Carrying amount at 31 December</b>	<b>3</b>

2016 (mDKK)	Patents
Cost at 1 January	10
<b>Cost at 31 December</b>	<b>10</b>
Amortisation and impairment losses at 1 January	5
Amortisation for the year	1
<b>Amortisation and impairment losses at 31 December</b>	<b>6</b>
<b>Carrying amount at 31 December</b>	<b>4</b>

## Note 7. Property, plant and equipment

2017 (mDKK)	Land, buildings and installations	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January	6	1	7
<b>Cost at 31 December</b>	<b>6</b>	<b>1</b>	<b>7</b>
Depreciation and impairment losses at 1 January	–	1	1
<b>Depreciation and impairment losses at 31 December</b>	<b>–</b>	<b>1</b>	<b>1</b>
<b>Carrying amount at 31 December</b>	<b>6</b>	<b>–</b>	<b>6</b>

2016 (mDKK)	Land, buildings and installations	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January	6	1	7
<b>Cost at 31 December</b>	<b>6</b>	<b>1</b>	<b>7</b>
Depreciation and impairment losses at 1 January	–	1	1
<b>Depreciation and impairment losses at 31 December</b>	<b>–</b>	<b>1</b>	<b>1</b>
<b>Carrying amount at 31 December</b>	<b>6</b>	<b>–</b>	<b>6</b>



## Note 8. Investments in subsidiaries and associates

2017 (mDKK)	Investments in subsidiaries	Investments in associates
Cost at 1 January	7,943	4
<b>Cost at 31 December</b>	<b>7,943</b>	<b>4</b>
Value adjustment at 1 January	12,680	(1)
Currency translation adjustments	(253)	–
Share of net profit for the year	7,762	–
Dividend	(8,498)	–
Entries recognised directly on equity in subsidiaries	114	–
<b>Value adjustment at 31 December</b>	<b>11,805</b>	<b>(1)</b>
<b>Carrying amount at 31 December</b>	<b>19,748</b>	<b>3</b>

2016 (mDKK)	Investments in subsidiaries	Investments in associates
Cost at 1 January	7,976	4
Correction to cost at 1 January	(149)	–
Additions	192	–
Disposals	(76)	–
<b>Cost at 31 December</b>	<b>7,943</b>	<b>4</b>
Value adjustment at 1 January	11,377	(1)
Correction to value adjustment at 1 January	149	–
Currency translation adjustments	(54)	–
Share of net profit for the year	9,402	–
Dividend	(8,173)	–
Disposals	72	–
Entries recognised directly on equity in subsidiaries	(93)	–
<b>Value adjustment at 31 December</b>	<b>12,680</b>	<b>(1)</b>
<b>Carrying amount at 31 December</b>	<b>20,623</b>	<b>3</b>

## Note 9. Share capital

(mDKK)	2017	2016
<b>The share capital consists of:</b>		
A-shares of DKK 1,000 or multiples hereof	1	1
B-shares of DKK 1,000 or multiples hereof	9	9
C-shares of DKK 1,000 or multiples hereof	10	10
<b>Total shares at 31 December</b>	<b>20</b>	<b>20</b>

There have been no changes in the share capital during the last 5 years.

### Shareholders that own more than 5% of the share capital:

KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark  
 Koldingvej 2, Billund A/S, Koldingvej 2, 7190 Billund, Denmark

## Note 10. Deferred tax

(mDKK)	2017	2016
Deferred tax, net at 1 January	10	7
Change in deferred tax	(2)	3
<b>Deferred tax, net at 31 December</b>	<b>8</b>	<b>10</b>
<b>Classified as:</b>		
Deferred tax assets	8	10
	<b>8</b>	<b>10</b>

## Note 11. Contingent assets, contingent liabilities and other obligations

(mDKK)	2017	2016
Guarantees	1,798	1,693
	<b>1,798</b>	<b>1,693</b>

Guarantees relate to commitments in subsidiaries.

LEGO A/S is jointly and severally liable for corporate income tax according to the joint taxation in the LEGO Group, KIRKBI A/S and in the companies controlled by KIRKBI A/S. The total amount of current tax liabilities, as well as related current tax credit counterparts are shown in the Annual Report of KIRKBI A/S, which is the administration company of the joint taxation. LEGO A/S is furthermore jointly and severally liable for Danish taxes at source withheld on

behalf of non-resident companies for dividend, royalty and interest.

LEGO A/S has utilised tax losses in non-Danish jurisdictions in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 90 million (DKK 90 million in 2016), of which DKK 0 million has been recognised as provision for deferred tax. The amount of DKK 90 million is not expected to be recaptured.

## Note 12. Related party transactions

The following transactions were carried through with related parties

(mDKK)	2017	2016
<b>Transactions with KIRKBI A/S</b>		
Sale of assets	–	4
Other transactions charged	(41)	(2)
	<b>(41)</b>	<b>2</b>
<b>Transactions with KIRKBI Invest A/S</b>		
Interest charged	(19)	(19)
Other transactions charged	–	(1)
	<b>(19)</b>	<b>(20)</b>
<b>Transactions with Merlin Entertainments Group</b>		
Trademark fee received	28	25
	<b>28</b>	<b>25</b>

Remuneration to Key Management Personnel is disclosed in note 2.

Transactions with related parties were carried out on an arm's length basis.

**Note 12 (continued)**

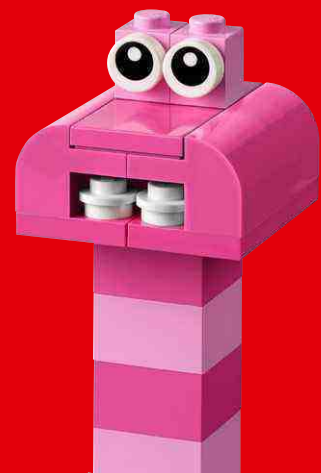
**Year-end balances arising from transactions with related parties**

(mDKK)	2017	2016
<b>Balances with KIRKBI A/S</b>		
Payables	(26)	–
	<b>(26)</b>	<b>–</b>
<b>Balances with KIRKBI Invest A/S</b>		
Payable	(10)	(10)
Loan	(600)	(600)
	<b>(610)</b>	<b>(610)</b>
<b>Balances with Merlin Entertainments Group</b>		
Receivables	5	5
	<b>5</b>	<b>5</b>

**Note 13. Proposed distribution of profit**

(mDKK)	2017	2016
Dividend	7,000	7,000
Reserve from the use of the equity method	764	(1,050)
Retained earnings	11	3,455
	<b>7,775</b>	<b>9,405</b>

# Management's Statement and Auditor's Report



## Management's Statement

The Executive Leadership Team and the Board of Directors have today considered and adopted the Annual Report of LEGO A/S for the financial year 1 January to 31 December 2017. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act. Management's Review is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2017 of the

LEGO Group and the Parent Company and of the results of the LEGO Group and the Parent Company operations and consolidated cash flows for the financial year 1 January to 31 December 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the LEGO Group and the Parent Company, of the results for the year and of the financial position of the LEGO Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the LEGO Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

### The Executive Leadership

**Niels B. Christiansen**  
President and Chief  
Executive Officer

**Marjorie Lao**  
Chief Financial Officer

**Julia Goldin**  
Chief Marketing Officer

**Loren I. Shuster**  
Chief People Office

**Carsten Rasmussen**  
Chief Operations Officer

**Ulrik Gernow**  
Chief Business  
Transformation Officer

**Claus Flyger Pejstrup**  
Senior Vice President

**Eric Maugein**  
Senior Vice President

**Jacob Kragh**  
Senior Vice President

**Marko Ilincic**  
Senior Vice President

**Skip Kodak**  
Senior Vice President

**Victor Saeijs**  
Senior Vice President

### Board of Directors

**Jørgen Vig Knudstorp**  
Chairman

**Thomas Kirk Kristiansen**  
Deputy Chairman

**Kjeld Kirk Kristiansen**

**Kåre Schultz**

**Søren Thorup Sørensen**

**Eva Berneke**

**Jan Nielsen**

# Independent Auditor's Report

## To the shareholders of LEGO A/S

### Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of LEGO A/S for the financial year 1 January – 31 December 2017, which comprise Income Statement, Balance Sheet, Statement of Changes in Equity and Notes to the financial statements, including summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 26 February 2018

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no 3377 1231

**Mogens Nørgaard Mogensen**  
State Authorised Public Accountant  
mne21404

**Henrik Trangeled Kristensen**  
State Authorised Public Accountant  
mne23333

## Group Structure


# LEGO A/S

- LEGO System A/S
- LEGO Security Billund ApS
- LEGO Park Holding UK Ltd.
  - LEGO Lifestyle International Ltd. (UK)
- LEGO Company Limited (UK)
- LEGO Belgium n.v.
- LEGO Nederland B.V.
- LEGO Sverige AB
- LEGO Norge AS
- Oy Suomen LEGO Ab (Finland)
- LEGO GmbH (Germany)
- LEGO Handelsgesellschaft mbH (Austria)
- LEGO SAS (France)
- LEGO Brand Retail SAS (France)
- LEGO S.p.A. (Italy)
- LEGO S.A. (Spain)
- LEGO Lda. (Portugal)
- LEGO Production s.r.o. (Czech Republic)
- LEGO Trading s.r.o. (Czech Republic)
- LEGO Schweiz AG
- LEGO Hungária Kft.
- LEGO Manufacturing Kft. (Hungary)
- LEGO Polska Sp. zo.o.
- LEGO Romania S.R.L.
- LEGO Ukraine LLC
- LEGO Ltd. (Russia)
- LLD Share Verwaltungs GmbH (Germany)
  - LLD Share GmbH & Co. KG (Germany)
- LEGO Turkey Oyuncak Tiearet Anonim Sirketi
- LEGO do Brasil Comércio e Distribuição de Brinquedos Ltda
- LEGO Canada Inc.
- LEGO Mexico S.A. de C.V.
- Administración de Servicios LEGO, S. de R.L. de C.V. (Mexico)
- LEGO Operaciones de Mexico S.A. de C.V. (Mexico)
- LEGO Real Estate, S.A. de C.V. (Mexico)
- LEGO Systems, Inc. (US)
  - LEGO Brand Retail Inc. (US)
- LEGO Hong Kong Limited
- LEGO Australia Pty. Ltd.
- LEGO New Zealand Ltd.
- LEGO Korea Co. Ltd.
- LEGO South Africa (Pty.) Ltd.
- LEGO Japan Ltd.
- LEGO Company Ltd. (Hong Kong)
- LEGO Trading (Beijing) Co., Ltd.
- LEGO Singapore Pte. Ltd.
- LEGO India Private Limited
- LEGO Trading (Malaysia) Sdn. Bhd.
- LEGO Toy Manufacturing (Jiaxing) Co.
- LEGO Toy (Shanghai) Co., Ltd.
- LEGO Trading (Taiwan) Co., Ltd.

Ownership is 100% unless stated otherwise.

LEGO A/S is 75% owned by KIRKBI A/S and is included in the Consolidated Annual Report of KIRKBI A/S. KIRKBI A/S is the ultimate Parent Company.

LEGO A/S owns 19.8% of KABOOKI A/S which is an associate.



In our  
Responsibility Reports  
you will find detailed  
information on the LEGO  
Group's non-financial  
results for 2017.

[www.LEGO.com/  
responsibility](http://www.LEGO.com/responsibility)

# **Exhibit 32**



NEWSROOM (/)



Mattel Corporation (<http://corporate.mattel.com/>) / Newsroom (/) / News (/news) / Financial News (/news?c=23377)

## Mattel Reports Full Year And Fourth Quarter 2017 Financial Results(1)

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EL SEGUNDO, Calif., Feb. 1, 2018 --

- Strongest brand growth in Q4 from Barbie® (up 9% in Q4 as reported and up 6% in constant currency), and the launch of Disney's Cars 3.
- Barbie delivered third year in a row of mid- to high-single digit POS growth globally.
- Full year net sales down 11% as reported and in constant currency. In line with revised guidance provided in December 2017, full year gross sales down 9% as reported and down 10% in constant currency.
- Lower sales in the North American Region (full year net sales and gross sales down 17% as reported and in constant currency), partially offset by the International Region sales performance (full year net sales flat as reported and down 1% in constant currency; gross sales up 2% as reported and flat in constant currency).
- Company progressing well against transformation plan, targeting to achieve a greater proportion of \$650 million net cost elimination initiative in 2018, and announcing partnerships to accelerate key adjacencies to unlock IP value in gaming and content.

Mattel, Inc. (NASDAQ: MAT) today reported full year and fourth quarter 2017 financial results.

"We have taken aggressive action to enter 2018 with a clean slate so that we can reset our economic model and rapidly improve profitability," said Margo Georgiadis, CEO of Mattel. "We are optimistic about stabilizing revenue in 2018 anchored by our key power brands, entertainment partnerships and exciting new launches. We continue to gain momentum toward the medium-term goals we shared at our June Investor Day."

For the year, net sales were down 11% as reported and in constant currency, versus the prior year. Gross sales were down 9% as reported, and down 10% in constant currency. Reported operating loss was \$342.8 million, and adjusted operating loss was \$167.1 million. Reported loss per share was \$3.07, which was negatively impacted by a net non-cash charge of \$457 million related to a valuation allowance on U.S. deferred tax assets and U.S. tax reform, and adjusted loss per share was \$1.08.

For the fourth quarter of 2017, net sales were down 12% as reported, and down 14% in constant currency, versus the prior year's fourth quarter. Gross sales were down 8% as reported, and down 10% in constant currency. Reported operating loss was \$252.8 million, and adjusted operating loss was \$164.8 million. Reported loss per share was \$0.82 and adjusted loss per share was \$0.72.

### **POS Summary<sup>2</sup>**

For the year, consumer takeaway for Barbie was up high-single digits; Hot Wheels<sup>®</sup> was up mid-single digits; Fisher-Price<sup>®</sup> was down low-single digits; and Thomas & Friends<sup>®</sup> was down double digits. For the quarter, Barbie was up high-single digits; Hot Wheels was up mid-single digits; Fisher-Price was down high single digits; and Thomas & Friends was down double digits.

### **Financial Overview**

For the year, net sales in the North American Region decreased by 17% as reported and in constant currency, versus the prior year; gross sales in the North American Region also decreased by 17% as reported and in constant currency,

primarily driven by lower sales as a result of tighter retailer inventory management, certain underperforming brands, and the Toys "R" Us bankruptcy filing. In the International Region, net sales were flat as reported, and decreased by 1% in constant currency; gross sales in the International Region increased by 2% as reported, and were flat in constant currency. The decline in reported and adjusted gross margin for the year was driven mainly by inventory management efforts, unfavorable product mix, and higher freight and logistics expenses. Reported other selling and administrative expenses increased by \$121.1 million, primarily driven by asset impairments and severance and restructuring charges. Adjusted other selling and administrative expenses for the year increased \$50.6 million, reflecting higher employee-related costs. Reported operating loss for the year was \$342.8 million, compared to the prior year's reported operating income of \$519.2 million. Adjusted operating loss for the year was \$167.1 million, compared to the prior year's adjusted operating income of \$560.8 million.

For the fourth quarter, net sales in the North American Region decreased by 17% as reported and in constant currency, versus the prior year's fourth quarter; gross sales in the North American Region decreased by 16% as reported and in constant currency, primarily driven by tighter retailer inventory management, certain underperforming brands, and Toys "R" Us bankruptcy filing. In the International Region, net sales decreased by 4% as reported, and decreased by 9% in constant currency; gross sales in the International Region increased 4% as reported, and decreased by 1% in constant currency. The decline in reported and adjusted gross margin for the quarter was driven mainly by inventory management efforts, unfavorable product mix, and higher freight and logistics expenses. Reported other selling and administrative expenses increased by \$105.9 million, primarily driven by severance and restructuring charges, asset impairments and adjusted other selling and administrative expenses for the quarter increased \$45.1 million, driven primarily by an unfavorable year over year comparison due to a prior year reversal of incentive compensation in the fourth quarter of 2016. Reported operating loss for the quarter was \$252.8 million,

compared to the prior year's fourth quarter reported operating income of \$262.6 million. Adjusted operating loss for the quarter was \$164.8 million, compared to the prior year's fourth quarter adjusted operating income of \$269.2 million.

For the year, net cash flows used for operating activities were approximately \$28 million, compared to net cash flows in the prior year from operating activities of approximately \$595 million, primarily driven by the net loss for the year, excluding the impact of the valuation allowance on deferred tax assets, and other non-cash charges. Cash flows used for investing activities were approximately \$236 million in 2017, a decrease of approximately \$76 million versus the prior year, primarily driven by higher proceeds from foreign currency forward exchange contracts and 2016 payments related to the acquisitions of Fuhu and Sproutling, partially offset by higher capital spending. Cash flows provided by financing activities and other were approximately \$473 million in 2017, compared to cash flows used for financing activities and other of approximately \$306 million for the prior year, primarily driven by proceeds from the \$1.0 billion issuance of senior notes in December 2017 and lower dividend payments, offset by higher net repayments of short-term borrowings.

As of December 31, 2017, the Company's debt-to-total capital ratio was 71.3%.

## **Sales by Brand**

### **Mattel Girls and Boys Brands**

For the year, worldwide gross sales for Mattel Girls & Boys Brands were \$3.1 billion, down 4% as reported, and down 5% in constant currency, versus the prior year. Worldwide gross sales for the Barbie brand were down 2% as reported, and down 3% in constant currency, versus the prior year, primarily driven by a shift in DVD entertainment strategy. Worldwide gross sales for Other Girls brands were down 36% as reported, and down 37% in constant currency, versus the prior year, primarily driven by declines in Monster High® and Ever After High®, partially offset by initial sales of Enchantimals. Worldwide gross sales for the Wheels category



were down 4% as reported, and down 5% in constant currency, versus the prior year, primarily driven by declines in Hot Wheels and Matchbox®. Worldwide gross sales for the Entertainment business were up 12% as reported, and up 11% in constant currency, versus the prior year, primarily driven by increases in CARS® sales, offset by declines in Minecraft® and DC Comics® products.

For the fourth quarter, worldwide gross sales for Mattel Girls & Boys Brands were \$1.1 billion, up 1% as reported, and down 2% in constant currency, versus the prior year's fourth quarter. Worldwide gross sales for the Barbie brand were up 9% as reported, and up 6% in constant currency, versus the prior year's fourth quarter, as a result of shipping aligning with strong POS. Worldwide gross sales for Other Girls brands were down 35% as reported, and down 36% in constant currency, versus the prior year's fourth quarter, primarily driven by declines in Monster High and DC Super Hero Girls™, partially offset by initial sales of Enchantimals.

Worldwide gross sales for the Wheels category were down 7% as reported, and down 10% in constant currency, versus the prior year's fourth quarter, primarily driven by declines in Hot Wheels. Worldwide gross sales for the Entertainment business were up 21% as reported, and up 18% in constant currency, versus the prior year's fourth quarter, primarily driven by increases in CARS sales, offset by declines in Dinotrux and Minecraft.

### **Fisher-Price Brands**

For the year, worldwide gross sales for Fisher-Price Brands, which includes the Fisher-Price Core, Fisher-Price Friends and Power Wheels® brands, were \$1.7 billion, down 11% as reported, and down 12% in constant currency, versus the prior year, primarily driven by declines in infant and preschool products and Thomas & Friends. Fourth quarter worldwide gross sales were \$533.8 million, down 12% as reported, and down 14% in constant currency, versus the prior year's fourth quarter, primarily driven by declines in infant and preschool products and Thomas & Friends.

**American Girl Brands**

For the year, worldwide gross sales for American Girl Brands, which offers American Girl-branded products directly to consumers, were \$451.5 million, down 21% as reported and in constant currency, versus the prior year, primarily driven by lower sales across channels. Fourth quarter worldwide gross sales for American Girl Brands were \$217.3 million, down 23% as reported and in constant currency, versus the prior year's fourth quarter, primarily driven by lower sales across channels.

**Construction and Arts & Crafts Brands**

For the year, worldwide gross sales for Construction and Arts & Crafts Brands, which includes the MEGA BLOKS® and RoseArt® brands, were \$269.5 million, down 29% as reported and in constant currency, versus the prior year, primarily driven by declines in MEGA BLOKS licensed and preschool products. Fourth quarter worldwide gross sales for Construction and Arts & Crafts Brands were \$93.5 million, down 25% as reported, and down 26% in constant currency, versus the prior year's fourth quarter, primarily driven by declines in MEGA BLOKS licensed and preschool products.

**Conference Call and Live Webcast**

At 5:00 p.m. (Eastern Time) today, Mattel will host a conference call with investors and financial analysts to discuss its 2017 full year and fourth quarter financial results. The conference call will be webcast on Mattel's Investor Relations website, <http://investor.shareholder.com/mattel> (<http://investor.shareholder.com/mattel>). To listen to the live call, log on to the website at least 10 minutes early to register, download and install any necessary audio software. An archive of the webcast will be available on the Company's website for 90 days and may be accessed beginning approximately two hours after the completion of the live call. A telephonic replay of the call will be

available beginning at 8:00 p.m. Eastern time the evening of the call until Thursday, February 8, 2018, and may be accessed by dialing +1-404-537-3406. The passcode is 5296699.

### **Forward-Looking Statements**

This press release contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "expects," "intends," "plans," "confident that" and "believes," among others, generally identify forward-looking statements. These forward-looking statements are based on currently available operating, financial, economic and other information, and are subject to a number of significant risks and uncertainties. A variety of factors, many of which are beyond our control, could cause actual future results to differ materially from those projected in the forward-looking statements. Specific factors that might cause such a difference include, but are not limited to: (i) Mattel's ability to design, develop, produce, manufacture, source and ship products on a timely and cost-effective basis, as well as interest in and purchase of those products by retail customers and consumers in quantities and at prices that will be sufficient to profitably recover Mattel's costs; (ii) downturns in economic conditions affecting Mattel's markets which can negatively impact retail customers and consumers, and which can result in lower employment levels, lower consumer disposable income and spending, including lower spending on purchases of Mattel's products; (iii) other factors which can lower discretionary consumer spending, such as higher costs for fuel and food, drops in the value of homes or other consumer assets, and high levels of consumer debt; (iv) potential difficulties or delays Mattel may experience in implementing cost savings and efficiency enhancing initiatives; (v) other economic and public health conditions or regulatory changes in the markets in which Mattel and its customers and suppliers operate, which could create delays or increase Mattel's costs, such as higher commodity prices, labor costs or transportation costs, or outbreaks of disease; (vi) currency fluctuations, including

movements in foreign exchange rates, which can lower Mattel's net revenues and earnings, and significantly impact Mattel's costs; (vii) the concentration of Mattel's customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel's customers, including the bankruptcy of Toys "R" Us, Inc., or changes in their purchasing or selling patterns; (viii) the future willingness of licensors of entertainment properties for which Mattel currently has licenses or would seek to have licenses in the future to license those products to Mattel; (ix) the inventory policies of Mattel's retail customers, including retailers' potential decisions to lower their inventories, even if it results in lost sales, as well as the concentration of Mattel's revenues in the second half of the year, which coupled with reliance by retailers on quick response inventory management techniques increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules; (x) the increased costs of developing more sophisticated digital and smart technology products, and the corresponding supply chain and design challenges associated with such products; (xi) work disruptions, which may impact Mattel's ability to manufacture or deliver product in a timely and cost-effective manner; (xii) the bankruptcy of Toys "R" Us, Inc. or other of Mattel's significant retailers, or the general lack of success of one of Mattel's significant retailers which could negatively impact Mattel's revenues or bad debt exposure; (xiii) the impact of competition on revenues, margins and other aspects of Mattel's business, including the ability to offer products which consumers choose to buy instead of competitor's products, the ability to secure, maintain and renew popular licenses and the ability to attract and retain talented employees; (xiv) the risk of product recalls or product liability suits and costs associated with product safety regulations; (xv) changes in laws or regulations in the United States and/or in other major markets in which Mattel operates, including, without limitation, with respect to taxes, tariffs or product safety, which may increase Mattel's product costs and other costs of doing business, and reduce Mattel's earnings, (xvi) failure to realize the planned benefits from any investments or acquisitions made by

Mattel, (xvii) the impact of other market conditions, third party actions or approvals and competition which could reduce demand for Mattel's products or delay or increase the cost of implementation of Mattel's programs or alter Mattel's actions and reduce actual results; (xviii) changes in financing markets or the inability of Mattel to obtain financing on attractive terms (xix) the impact of litigation or arbitration decisions or settlement actions; and (xx) other risks and uncertainties as may be described in Mattel's periodic filings with the Securities and Exchange Commission, including the "Risk Factors" section of Mattel's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and Mattel's Quarterly Reports on Form 10-Q for fiscal year 2017, as well as in Mattel's other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so.

### **Non-GAAP Financial Measures**

To supplement our financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), Mattel presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measures that Mattel uses in this earnings release include gross sales, adjusted net sales, adjusted gross profit, adjusted gross margin, adjusted other selling and administrative expenses, adjusted operating income (loss), adjusted earnings (loss) per share, earnings before interest expense, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, and constant currency. Mattel uses these metrics to analyze its continuing operations and to monitor, assess and identify meaningful trends in its operating and financial performance, and each is discussed in detail below. Mattel believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to be able to better evaluate ongoing business performance and certain components of the Company's results. These measures are not, and should not be viewed as, substitutes for GAAP financial measures. Reconciliations of the

non-GAAP financial measures to the most directly comparable GAAP financial measures are attached to this earnings release as exhibits and to our earnings slide presentation as an appendix.

This earnings release and our earnings slide presentation are available on Mattel's Investor Relations website, <http://investor.shareholder.com/mattel> (<http://investor.shareholder.com/mattel>), under the subheading "Financial Information – Earnings Releases."

#### *Gross sales*

Gross sales represent sales to customers, excluding the impact of sales adjustments. Net sales, as reported, include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross sales as a metric for comparing its aggregate, brand and geographic results to highlight significant trends in Mattel's business. Changes in gross sales are discussed because, while Mattel records the details of such sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with brands and individual products, making net sales less meaningful. Since sales adjustments are determined by customer rather than at the brand level, Mattel believes that the disclosure of gross sales by brand is useful supplemental information for investors to be able to assess the performance of its underlying brands (e.g., Barbie) and also enhances their ability to compare sales trends over time.

#### *Adjusted net sales*

Adjusted net sales represents Mattel's reported net sales, adjusted to exclude the net sales reversal related to Toys "R" Us filing for bankruptcy. Adjusted net sales is presented to provide additional perspective on underlying trends in Mattel's core net sales, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.

*Adjusted gross profit and adjusted gross margin*

Adjusted gross profit and adjusted gross margin represent reported gross profit and reported gross margin, respectively, adjusted to exclude the net sales reversal related to Toys "R" Us filing for bankruptcy and asset impairments. Adjusted gross margin represents Mattel's adjusted gross margin, as a percentage of adjusted net sales. Adjusted gross profit and adjusted gross margin are presented to provide additional perspective on underlying trends in Mattel's core gross profit and gross margin, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.

*Adjusted other selling and administrative expenses*

Adjusted other selling and administrative expenses represents Mattel's reported other selling and administrative expenses, adjusted to exclude the impact of expenses associated with the acquisition and integration of an acquired business, restructuring and restructuring-related expenses, non-recurring executive compensation and asset impairments, which are not part of Mattel's core business. Adjusted other selling and administrative expenses is presented to provide additional perspective on underlying trends in Mattel's core other selling and administrative expenses, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.

*Adjusted operating income (loss)*

Adjusted operating income (loss) represents Mattel's reported operating loss, adjusted to exclude the impact of expenses associated with the acquisition and integration of an acquired business, restructuring and restructuring-related expenses, non-recurring executive compensation, asset impairments, and the net sales reversal related to Toys "R" Us filing for bankruptcy, which are not part of Mattel's core business. Adjusted operating income (loss) is presented to provide additional perspective on underlying trends in Mattel's core operating results,

which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.

*Adjusted earnings (loss) per share*

Adjusted earnings (loss) per share represents Mattel's reported diluted earnings (loss) per common share, adjusted to exclude the impact of expenses associated with the acquisition and integration of an acquired business, restructuring and restructuring-related expenses, sale of non-core assets, non-recurring executive compensation, asset impairments, the net sales reversal related to Toys "R" Us filing for bankruptcy, Venezuela matters, which are not part of Mattel's core business. The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate, and dividing by the reported weighted average number of common and potential common shares. Adjusted earnings (loss) per share also excludes the impact of the valuation allowance established for the portion of U.S. deferred tax assets Mattel believes will likely not be realized and a one-time benefit realized due to U.S. tax reform. Adjusted earnings (loss) per share is presented to provide additional perspective on underlying trends in Mattel's core business. Mattel believes it is useful supplemental information for investors to gauge and compare Mattel's current earnings results from one period to another. Adjusted earnings (loss) per share is a performance measure and should not be used as a measure of liquidity.

*EBITDA and Adjusted EBITDA*

EBITDA represents Mattel's net income (loss), adjusted to exclude the impact of interest expense, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude the impact of expenses associated with the acquisition and integration of an acquired business, restructuring and restructuring-related expenses, sale of non-core assets, share-based compensation, asset impairments, the net sales reversal related to Toys "R" Us filing for bankruptcy, and Venezuela matters, which are not part of Mattel's core



business. Mattel believes EBITDA and Adjusted EBITDA are useful supplemental information for investors to gauge and compare Mattel's business performance to other companies in our industry with similar capital structures. The presentation of Adjusted EBITDA differs from how we will calculate EBITDA for purposes of covenant compliance under the indenture governing our 6.75% senior notes due 2025 and the syndicated facility agreement governing our senior secured revolving credit facilities. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. As a result, we rely primarily on our GAAP results and use EBITDA and Adjusted EBITDA only supplementally.

#### *Constant currency*



Percentage changes in results expressed in constant currency are presented excluding the impact from changes in currency exchange rates. To present this information, Mattel calculates constant currency information by translating current period and prior period results for entities reporting in currencies other than the US dollar using consistent exchange rates. The consistent exchange rates are determined by Mattel at the beginning of each year and are applied consistently during the year. They are generally different from the actual exchange rates in effect during the current or prior period due to volatility in actual foreign exchange rates. Mattel considers whether any changes to the constant currency rates are appropriate at the beginning of each year. The exchange rates used for these constant currency calculations are generally based on prior year actual exchange rates. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from changes in currency exchange rates. Mattel analyzes constant currency results to provide additional perspective on changes in underlying trends in Mattel's operating performance. Mattel believes that the disclosure of the percentage change in constant currency is useful supplemental information for investors to be able to gauge Mattel's current business performance and the longer term strength of its overall business since

foreign currency changes could potentially mask underlying sales trends. The disclosure of the percentage change in constant currency enhances investor's ability to compare financial results from one period to another.

### About Mattel

Mattel is a global learning, development and play company that inspires the next generation of kids to shape a brighter tomorrow. Through our portfolio of iconic consumer brands, including American Girl®, Barbie®, Fisher-Price®, Hot Wheels® and Thomas & Friends®, we create systems of play, content and experiences that help kids unlock their full potential. Mattel also creates inspiring and innovative products in collaboration with leading entertainment and technology companies as well as other partners. With a global workforce of approximately 28,000 people, Mattel operates in 40 countries and territories and sells products in more than 150 nations. Visit us online at [www.mattel.com](http://www.mattel.com) (<http://www.mattel.com/>).

#### Contacts:

News Media	Securities Analysts
Alex Clark	Whitney Steininger
310-252-6397 	310-252-2703 
alex.clark@mattel.com (mailto:alex.clark@mattel.com)	whitney.steiningermattel.com (mailto:whitney.steiningermattel.com)

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Please refer to Non-GAAP Financial Measures for a glossary of non-GAAP financial measures used herein, including gross sales, adjusted net sales, adjusted gross profit, adjusted gross margin, adjusted other selling and administrative expenses, adjusted operating income (loss), EBITDA, adjusted EBITDA, adjusted earnings (loss) per share and constant currency.

<sup>2</sup>Mattel internal analysis, at wholesale; excludes American Girl.

<b>MATTEL, INC. AND SUBSIDIARIES</b>				
<b>CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)<sup>1</sup></b>				
<b>For the Three Months Ended December 31, 2017 and 2016</b>				
	<b>2017</b>		<b>2016</b>	
<b><u>(In millions, except per share and percentage information)</u></b>	<b>\$ Amt</b>	<b>% Net Sales</b>	<b>\$ Amt</b>	<b>%</b>
<b>Net Sales</b>	\$ 1,610.9		\$ 1,834.4	
Cost of sales	1,115.7	69.3%	973.0	53.1%
<b>Gross Profit</b>	495.1	30.7%	861.4	46.8%

Advertising and promotion expenses	293.5	18.2%	250.3	13.6%
Other selling and administrative expenses	454.4	28.2%	348.5	19.0%
<b>Operating (Loss) Income</b>	(252.8)	-15.7%	262.6	14.3%
Interest expense	36.7	2.3%	25.0	1.4%
Interest (income)	(1.4)	-0.1%	(1.6)	-0.1%
Other non-operating expense, net	58.8		0.3	
<b>(Loss) Income Before Income Taxes</b>	(346.8)	-21.5%	238.9	13.0%
(Benefit) Provision for income taxes	(65.6)		65.1	
<b>Net (Loss) Income</b>	\$ (281.3)	-17.5%	\$ 173.8	9.5%
<b>Net (Loss) Income Per Common Share - Basic</b>	\$ (0.82)		\$ 0.51	
Weighted average number of common shares	344.3		342.7	
<b>Net (Loss) Income Per Common Share - Diluted</b>	\$ (0.82)		\$ 0.50	
Weighted average number of common and potential common shares	344.3		345.0	

<p>†Amounts may not foot due to rounding.</p>
---

**MATTEL, INC. AND SUBSIDIARIES**

**EXHIBIT II**

**CONDENSED CONSOLIDATED BALANCE SHEETS<sup>1</sup>**

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b><u>(In millions)</u></b>	<b>(Unaudited)</b>	
<b>Assets</b>		
Cash and equivalents	\$ 1,079.2	\$ 869.5
Accounts receivable, net	1,128.6	1,115.2
Inventories	600.7	613.8
Prepaid expenses and other current assets	303.1	341.5
Total current assets	3,111.6	2,940.0
Property, plant, and equipment, net	785.3	774.0
Other noncurrent assets	2,341.6	2,779.8
<b>Total Assets</b>	<b>\$ 6,238.5</b>	<b>\$ 6,493.8</b>

<b>Liabilities and Stockholders' Equity</b>		
Short-term borrowings	\$ -	\$ 192.2
Current portion of long-term debt	250.0	-
Accounts payable and accrued liabilities	1,364.3	1,293.7
Income taxes payable	9.5	19.7
Total current liabilities	1,623.8	1,505.6
Long-term debt	2,873.1	2,134.3
Other noncurrent liabilities	484.1	446.1
Stockholders' equity	1,257.5	2,407.8
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 6,238.5</b>	<b>\$ 6,493.8</b>

**SUPPLEMENTAL BALANCE SHEET AND CASH FLOW DATA (Unaudited)**

	<b>December 31,</b>	
<b><u>(In millions, except days and percentage information)</u></b>	<b>2017</b>	<b>2016</b>
<b><u>Key Balance Sheet Data:</u></b>		
Accounts receivable, net days of sales outstanding (DSO)	63	55

Total debt outstanding	\$ 3,123.1	\$ 2,326.5
Total debt-to-total capital ratio	71.3%	49.1%

## Year Ended December 31,

<u>(In millions)</u>	2017 <sup>2</sup>	2016
----------------------	-------------------	------

**Condensed Cash Flow Data:**

Cash flows (used for) provided by operating activities	\$ (28)	\$ 595
Cash flows (used for) investing activities	(236)	(312)
Cash flows provided by (used for) financing activities and other	473	(306)
Increase (decrease) in cash and equivalents	\$ 210	\$ (23)



<sup>1</sup> Amounts may not foot due to rounding.

<sup>2</sup> Amounts shown are preliminary estimates. Actual amounts will be reported in Mattel's Annual Report on Form 10-K for the year ended December 31, 2017.

**MATTEL, INC. AND SUBSIDIARIES****WORLDWIDE GROSS SALES INFORMATION (Unaudited)<sup>1</sup>**

**RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES**

For the Three Months Ended December 31,

<u>(In millions, except percentage information)</u>	2017	2016	% Change as Reported	% Change in Constant Currency
<b><u>Worldwide Gross Sales:</u></b>				
Net Sales	\$ 1,610.9	\$ 1,834.4	-12	% -14
Sales Adjustments <sup>2</sup>	309.9	249.1		
Gross Sales	\$ 1,920.8	\$ 2,083.5	-8	% -10
<b><u>Worldwide Gross Sales by Brand:</u></b>				
Mattel Girls & Boys Brands	\$ 1,059.7	\$ 1,051.4	1	% -2
Fisher-Price Brands	533.8	607.7	-12	-14
American Girl Brands	217.3	283.9	-23	-23
Construction and Arts & Crafts Brands	93.5	124.8	-25	-26
Other	16.6	15.7		
Gross Sales	\$ 1,920.8	\$ 2,083.5	-8	% -10

**Worldwide Gross Sales - Mattel Girls & Boys Brands:**



Barbie	\$ 349.7	\$ 320.5	9	% 6	%
Other Girls	102.9	157.2	-35	-36	
Wheels	283.7	306.1	-7	-10	
Entertainment	323.3	267.6	21	18	
Gross Sales	\$ 1,059.7	\$ 1,051.4	1	% -2	%

<sup>1</sup> Amounts may not foot due to rounding.

<sup>2</sup> Sales adjustments are not allocated to individual products. As such, net sales are only presented on a consolidated basis and not on a brand level.

## MATTEL, INC. AND SUBSIDIARIES

### GROSS SALES BY REGION (Unaudited)<sup>1</sup>

### RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

	For the Three Months Ended December 31,				For th
<u>(In millions, except percentage information)</u>	2017	2016	% Change as Reported	% Change in Constant Currency	2017
<b>Total International Region Gross Sales:</b>					

Net Sales	\$ 645.4	\$ 673.8	-4	% -9	%	\$ 2,000
Sales Adjustments	221.1	159.7				442.7
Gross Sales	\$ 866.5	\$ 833.5	4	% -1	%	\$ 2,500
<b><u>International Region Gross Sales:</u></b>						
Europe						
Net Sales	\$ 322.2	\$ 332.0	-3	% -9	%	\$ 1,030
Sales Adjustments <sup>2</sup>	116.4	94.4				242.0
Gross Sales	\$ 438.5	\$ 426.4	3	% -4	%	\$ 1,280
Latin America						
Net Sales	\$ 196.6	\$ 198.2	-1	% -3	%	\$ 560
Sales Adjustments <sup>2</sup>	57.8	35.0				107.2
Gross Sales	\$ 254.5	\$ 233.2	9	% 6	%	\$ 670
Asia Pacific						
Net Sales	\$ 126.6	\$ 143.6	-12	% -14	%	\$ 450
Sales Adjustments <sup>2</sup>	46.9	30.3				93.5

Gross Sales	\$ 173.5	\$ 173.9	0	% -3	%	\$ 546.6
<b><u>International Region Gross Sales by Brand:</u></b>						
Mattel Girls & Boys Brands	\$ 582.0	\$ 533.3	9	% 4	%	\$ 1,653.7
Fisher-Price Brands	249.1	257.3	-3	-8		748.4
American Girl Brands	0.1	1.5	-91	-91		0.1
Construction and Arts & Crafts Brands	35.3	41.4	-15	-18		101.3
Other	-	-				-
Gross Sales	\$ 866.5	\$ 833.5	4	% -1	%	\$ 2,503.5



<sup>1</sup> Amounts may not foot due to rounding.

<sup>2</sup> Sales adjustments are not allocated to individual products. As such, net sales are only presented on a consolidated basis and not on a brand level.



## MATTEL, INC. AND SUBSIDIARIES

### GROSS SALES BY REGION (Unaudited)<sup>1</sup>

### RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES



## For the Three Months Ended December 31,

<u>(In millions, except percentage information)</u>	2017	2016	% Change as Reported	% Change in Constant Currency	
<b><u>North American Region Gross Sales:</u><sup>2</sup></b>					
Net Sales	\$ 965.5	\$ 1,160.6	-17	% -17	%
Sales Adjustments <sup>3</sup>	88.9	89.4			
Gross Sales	\$ 1,054.3	\$ 1,250.0	-16	% -16	%
<b><u>North American Region Gross Sales by Brand:</u></b>					
Mattel Girls & Boys Brands	\$ 477.7	\$ 518.1	-8	% -8	%
Fisher-Price Brands	284.7	350.4	-19	-19	
American Girl Brands	217.2	282.4	-23	-23	
Construction and Arts & Crafts Brands	58.2	83.4	-30	-31	
Other	16.6	15.7			
Gross Sales	\$ 1,054.3	\$ 1,250.0	-16	% -16	%

<sup>1</sup> Amounts may not foot due to rounding.

<sup>2</sup> Consists of U.S., Canada, and American Girl.

<sup>3</sup> Sales adjustments are not allocated to individual products. As such, net sales are only presented on a consolidated basis and not on a brand level.



## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1</sup>

#### RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

For the Three Months Ended December 31,

(In millions, except per share and percentage information)

2017

2016

#### Net Sales

Net Sales, As Reported	\$ 1,610.9	\$ 1,834.4	\$
------------------------	------------	------------	----

#### *Adjustments:*

Toys "R" Us Net Sales Reversal <sup>2</sup>	-	-	
---	---	---	--

Net Sales, As Adjusted	\$ 1,610.9	\$ 1,834.4	\$
------------------------	------------	------------	----

#### Gross Profit

Gross Profit, As Reported	\$ 495.1	\$ 861.4	\$
---------------------------	----------	----------	----

<i>Gross Margin</i>	30.7%	47.0%	
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<i>Adjustments:</i>			
Toys "R" Us Net Sales Reversal <sup>2</sup>	-	-	
Asset Impairments <sup>3</sup>	20.6	-	
Gross Profit, As Adjusted	\$ 515.7	\$ 861.4	\$
<i>Adjusted Gross Margin</i>	<i>32.0%</i>	<i>47.0%</i>	
<b><u>Other Selling and Administrative Expenses</u></b>			
Other Selling and Administrative Expenses, As Reported	\$ 454.4	\$ 348.5	\$
<i>% of Net Sales</i>	<i>28.2%</i>	<i>19.0%</i>	
<i>Adjustments:</i>			
Non-recurring Executive Compensation	(3.1)	-	
Integration & Acquisition Costs <sup>4</sup>	-	(0.3)	
Severance and Restructuring Expenses	(43.6)	(6.3)	
Asset Impairments	(20.8)	-	
Other Selling and Administrative Expenses, As Adjusted	\$ 387.0	\$ 341.9	\$
<i>% of Net Sales</i>	<i>24.0%</i>	<i>18.6%</i>	
<b><u>Operating (Loss) Income</u></b>			
Operating (Loss) Income, As Reported	\$ (252.8)	\$ 262.6	\$
<i>Adjustments:</i>			

Toys "R" Us Net Sales Reversal <sup>2</sup>	-	-	
Asset Impairments <sup>3</sup>	41.4	-	
Non-recurring Executive Compensation	3.1	-	
Integration & Acquisition Costs <sup>4</sup>	-	0.3	
Severance and Restructuring Expenses	43.6	6.3	
Operating (Loss) Income, As Adjusted	\$ (164.8)	\$ 269.2	\$

<sup>1</sup>Amounts may not foot due to rounding.

<sup>2</sup>As a result of Toys "R" Us filing for bankruptcy, Mattel reversed Net Sales for the estimated uncollectible portion of its Gross Profit. As Reported includes the Cost of Sales for the inventory sold to Toys "R" Us but excludes the corresponding

<sup>3</sup>For the three and twelve months ended December 31, 2017, Asset Impairments include tooling write-offs of \$20.6 million Sales.

<sup>4</sup>Includes Integration & Acquisition Costs for Fuhu and Sproutling in 2016.

#### **Earnings Per Share**

Net (Loss) Income Per Common Share, As Reported	\$ (0.82)	\$ 0.50	\$
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#### *Adjustments:*

Toys "R" Us Net Sales Reversal <sup>2</sup>	-	-	
Asset Impairments <sup>3</sup>	0.12	-	
Non-recurring Executive Compensation	0.01	-	
Severance and Restructuring Expenses	0.13	0.02	

Sale of Assets	-	-	
Venezuela Matters <sup>5</sup>	0.17	-	
Tax Effect of Adjustments <sup>6</sup>	(0.02)	-	
Valuation Allowance and U.S. Tax Reform <sup>7</sup>	(0.30)	-	
Net (Loss) Income Per Common Share, As Adjusted	\$ (0.72)	\$ 0.52	\$
<b><u>EBITDA and Adjusted EBITDA</u></b>			
Net (Loss) Income, As Reported	\$ (281.3)	\$ 173.8	\$
<i>Adjustments:</i>			
Interest expense	36.7	25.0	
(Benefit) Provision for Income Taxes	(65.6)	65.1	
Depreciation	61.0	57.9	
Amortization	17.7	7.0	
EBITDA	(231.5)	328.8	
<i>Adjustments:</i>			
Toys "R" Us Net Sales Reversal <sup>2</sup>	-	-	
Asset Impairments <sup>3</sup>	41.4	-	
Shared-based compensation	19.5	15.2	
Integration & Acquisition Costs <sup>4</sup>	-	0.3	
Severance and Restructuring Expenses	43.6	6.3	



Sale of Assets	-	-	-
Venezuela Matters <sup>5</sup>	59.0	-	59.0
Adjusted EBITDA	\$ (68.0)	\$ 350.5	\$ 165.0



<sup>1</sup> Amounts may not foot due to rounding.

<sup>2</sup> As a result of Toys "R" Us filing for bankruptcy, Mattel reversed Net Sales for the estimated uncollectible portion of its outstanding receivables. As such, Gross Profit, As Reported includes the Cost of Sales for the inventory sold to Toys "R" Us but excludes the corresponding Net Sales.

<sup>3</sup> For the three and twelve months ended December 31, 2017, Asset Impairments include tooling write-offs of \$20.6 million which were recorded in Cost of Sales.

<sup>4</sup> Includes Integration & Acquisition Costs for Fuhu and Sproutling in 2016.

<sup>5</sup> For the three and twelve months ended December 31, 2017, the amount includes a \$59.0 million loss from the discontinuation of Venezuelan operations. For the 12 months ended December 31, 2016, the amount includes the Venezuela currency devaluation loss of \$26.3 million.

<sup>6</sup> The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate, and dividing by the reported weighted average number of common and potential common shares. For the three and twelve months ended December 31, 2017, U.S. adjustments were not tax effected because of the valuation allowance on U.S. deferred tax assets.

<sup>7</sup> For the three months ended December 31, 2017, the amount includes a benefit of approximately \$105 million related to the estimated impact of U.S. Tax Reform. For the twelve months ended December 31, 2017, the amount includes a net expense of approximately \$457 million related to the valuation allowance on deferred tax assets and an estimate of the impact of U.S. Tax Reform.



## MEDIA CONTACT

Mattel Newsroom

Email: [press@mattel.com](mailto:press@mattel.com) (<mailto:press@mattel.com>)

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Throughout this website use of "Mattel" refers to Mattel, Inc. and/or one or more of its family of companies.

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# **Exhibit L**



BOSTON CONNECTICUT FLORIDA NEW JERSEY NEW YORK WASHINGTON, DC

**ELIZABETH A. ALQUIST**  
Attorney at Law

242 Trumbull Street  
Hartford, CT 06103  
T: (860) 275-0137 F: (860) 275-0343  
eaalquist@daypitney.com

November 12, 2018

**VIA UPS & E-MAIL ([NIKKI@ZURU.COM](mailto:NIKKI@ZURU.COM))**

ZURU Group  
Attn: Gregory Smith  
CC: Nikki Kahn  
Room 1202, 12F  
Energy Plaza  
Grandville Road  
TST East, Kowloon, Hong Kong

Re: Infringement of the LEGO Group of Companies' Intellectual Property  
Client-Matter No: 704159-000070

Dear Attorney Smith:

We represent the LEGO Group of Companies including, but not limited to, LEGO A/S, LEGO System A/S, LEGO Systems, Inc. and LEGO Juris A/S (together, the "Company") in connection with intellectual property matters. We recently became aware of ZURU Group's ("ZURU") unauthorized and infringing use of the Company's intellectual property in connection with all products in the MAX Build More line of construction toys. Accordingly, the Company demands that ZURU immediately cease use of the Company's intellectual property.

As ZURU knows and is obviously once again exploiting for its own gain, the Company is a premier children's toy company that offers a wide array of products and services, including its genre of play defining construction toys. The Company offers its goods and services under its



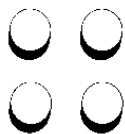
world-famous LEGO® word mark and logo, (the "Red Square Logo"). The Company also owns multiple registered federal trademarks in the United States for cylindrical surface features and a construction brick covering toy goods in Class 28 (the "Stud Trademarks"), including the following:



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(US Reg. No. 2,273,314) ;



(US Reg. No. 2,273,321); and



(US Reg. No. 2,922,658).

The Company owns multiple copyrights and trademarks embodied in and by the LEGO<sup>®</sup> Minifigure<sup>™</sup> figurine, including VA655230 and VA655104 and U.S. Trademark Registration Nos. 4,903,968 and 4,520,327, and numerous active design patents for many of its elements. The Company considers its intellectual property among its most valuable assets, and carefully monitors the use of its intellectual property by others to ensure that consumers can expect the highest level of goods and services for which the Company is known.

As you surely recall, ZURU made infringing use of the Company's intellectual property in connection with its Mayka toy construction tape product. While we appreciate ZURU's compliance with respect to that matter, it has recently come to our attention that ZURU is again making unauthorized use of the Company's intellectual property with its MAX Build More line of products, including at least: the Building Bricks Value Set (759) Bricks, Building Bricks Value Set (253 Bricks), Building Bricks Accessories and Wheels Value Set (250 Pieces), MAX Figure Set (15 Figures), and MAX Base Plates (collectively, the "Infringing Products"). While the Company welcomes and encourages competition, as it sparks innovation to the benefit of our consumers, such competition must be fair, lawful, and respectful of the time, energy, and money invested in creating, maintaining, and protecting its intellectual property. A detailed recital of the latest infringement is included below.


#### A. Product Packaging

Packaging for all five of the MAX Build More products infringe the Company's Stud Trademarks. Nearly all of these products include a three-dimensional brick element on the product packaging serving as an indicator of source, as shown in examples provided in **Exhibit**



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**A.** The MAX logo itself, , includes a three “stud” brick element, and a “stud” pattern adorns all of the products as a background graphic, as shown in examples provided in **Exhibit B**. Each of these uses appears to use the cylindrical stud design and arrangement as a trademark in connection with Class 28 toy goods and thus, infringes the Company’s Stud Trademarks.

The product packaging also includes cartoon versions of the MAX Build More figures, as shown in **Exhibit C**. These images are substantially and confusingly similar to the LEGO<sup>®</sup> Minifigure figurine and accordingly, infringe the Company’s trademarks and copyrights. One such infringing image includes a cylindrical yellow head, as shown in **Exhibit D**. This image additionally infringes the Company’s trademark U.S. Reg. No. 4,520,327, which covers the cylindrical yellow head element of the LEGO<sup>®</sup> Minifigure figurine.

Further, the product packaging for all of the Infringing Products are primarily the color red with yellow, white, and black accents. These colors are identical to the four colors used in the Company’s iconic Red Square Logo. With a rainbow’s worth of colors from which to choose, ZURU’s use of the red, yellow, white, and black color scheme in connection with brick construction toys cannot be construed as anything other than willful infringement of the Company’s indicia, meant to call to mind LEGO<sup>®</sup> brand quality products and usurp the associated goodwill amassed over eighty years in the toy industry.

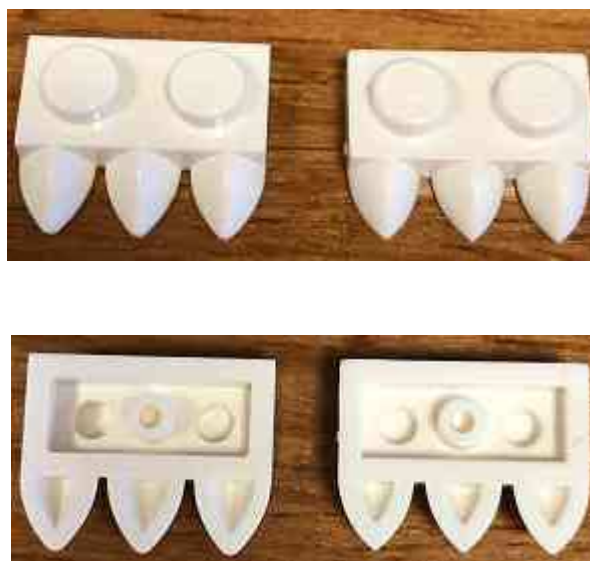
#### **B. Bricks**

In addition to issues with the product packaging, ZURU appears to be infringing several of the Company’s design patents with bricks used in the Building Bricks Value Set (759 Bricks), Building Bricks Value Set (253 Bricks), and Building Bricks Accessories and Wheels Value Set (250 Pieces). A side by side comparison of the Company’s patents and bricks offered by ZURU are included in **Exhibit E**.

The Company also owns copyrights in the sculpture designs of its bricks. Many of the bricks provided in the Building Bricks Value Sets and Building Bricks Accessories and Wheels Value Set are direct copies of the Company’s copyright-protected brick designs (together with the design patent infringing bricks mentioned above, the “Infringing Bricks”). An example is provided in the images below:



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Here, the genuine LEGO<sup>®</sup> brand brick is shown on the left and the ZURU brand brick is on the right. As shown above, these bricks are virtually indistinguishable with the exception of the brand markings and copyright notices. Ironically, ZURU has included a copyright notice within its brick, demonstrating an acknowledgement of the copyright protectable nature of the element; however, the genuine LEGO<sup>®</sup> brand brick also has a copyright notice: “© 2012 LEGO.”

### C. Figurines

While it appears that ZURU took measures to attempt to design around the LEGO<sup>®</sup> Minifigure figurine, the tests for trademark and copyright infringement, as you surely know, are not whether each corresponding element of the respective figures are identical, but rather whether there is a likelihood of consumer confusion or substantial similarity between the products. Courts have held that the test for substantial similarity for copyrighted works made for children is not a “specific inquiry,” but instead a comparison of the “total concept and feel of the works.” *Williams v. Crichton*, 84 F.3d 581, 589 (2d Cir. 1996). Given the overall similar appearance of the MAX Build More figures to the LEGO<sup>®</sup> Minifigure figurine, a similarity which is only compounded by the purposeful use of an identical color scheme for the product packaging, it appears likely that consumers would be confused as to the source of the MAX Build More figures and that there is a substantial similarity of the total concept and feel of the figures to support a finding of infringement of the Company’s trademarks and copyrights.

\* \* \*

Anna Mowbray, ZURU’s Chief Operating Officer, has been quoted to say, “[w]e are committed to continuously fighting what we believe are knock-off companies like Telebrands who try to undercut inventors and claim innovations as their own.” In light of the elements of ZURU’s MAX Build More products discussed above, we would hope that ZURU would treat other companies the way ZURU would wish to be treated. Unfortunately, given the blatant





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infringement of our client's valuable intellectual property, ZURU has not done so. Indeed, ZURU's behavior is unlawful, disappointing, and diametrically opposed to the company's "Think different. Think unique." slogan.

ZURU's unauthorized use of the Company's intellectual property is in violation of federal statutes and common law prohibiting, *inter alia*, trademark infringement, copyright infringement, dilution, unfair competition, false designation of origin, and patent infringement. Available remedies for such activities include injunctive relief, an award of defendant's profits, monetary damages, and all costs of legal action incurred by the Company to enforcement its rights. For infringement of the Company's copyrights alone, ZURU may be liable for statutory damages of up to \$30,000 for each work that it has infringed, and up to \$150,000 for each work that it has willfully infringed. To the extent that ZURU's acts appear willful, the company would also be subject to enhanced damages.

In order to resolve these concerns, the Company require ZURU's full cooperation and compliance with the following:

1. Cease and desist from any and all use and infringement of the Company's intellectual property, including but not limited to its trademarks, trade dress, copyrights, and patents;
2. Cease and desist from any further manufacture, distribution, or sale of the Infringing Products;
3. Undertake to recall all Infringing Products from retailers, including but not limited to Wal-Mart and Toybiz.com;
4. Provide to the Company the following accounting of the Infringing Products:
  - a. The number of Infringing Products manufactured;
  - b. The number of Infringing Products distributed to retailers, including Wal-Mart and Toybiz.com; and
  - c. The number of Infringing Products sold;
5. Certify destruction of all product packaging, figures, Infringing Bricks, and molds for the figures and Infringing Bricks; and
6. Confirm compliance with the above in writing to me.

Please confirm immediately that ZURU intends to comply with all of the Company's demands listed above by **November 26, 2018**. Please contact me if ZURU has any questions.



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This letter is provided without prejudice to any claims or remedies the Company may have in connection with this matter whatsoever, all of which are expressly reserved. This letter merely represents a sampling of the intellectual property issues identified with the ZURU Max Build More product line and is by no means an exhaustive list of concerns. The Company reserves the right to take further action, without notice.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Elizabeth A. Alquist'.

Elizabeth A. Alquist

Attachments

**ACKNOWLEDGED AND AGREED TO BY:**

**ZURU GROUP**

**By:** \_\_\_\_\_

**Name:**

**Its:**

**Date**

 DAY PITNEY LLP

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Exhibit A



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Exhibit B



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Exhibit C



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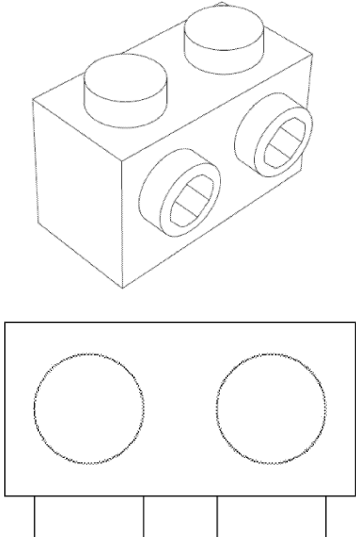
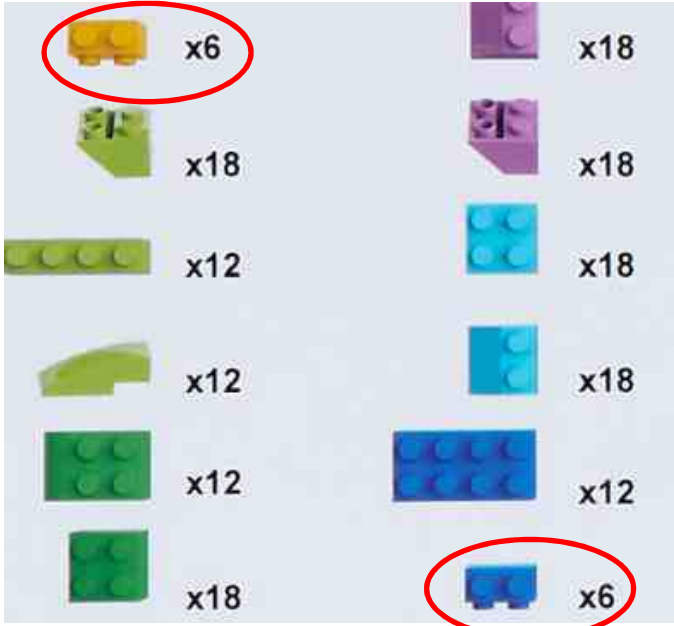
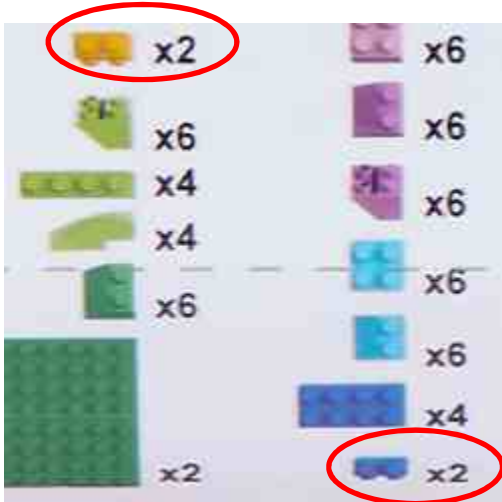
Exhibit D





ZURU Group  
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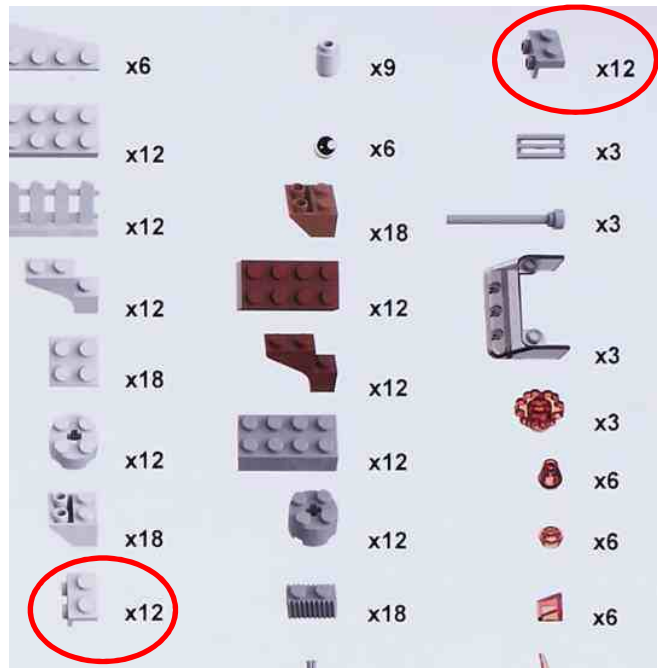
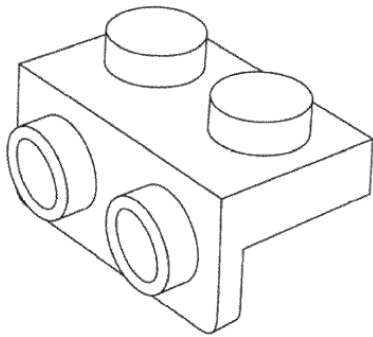
**Exhibit E**

<b><u>Design Patent</u></b>	<b><u>ZURU Bricks</u></b>
<p>US D701,923 S                      Issued: April 1, 2014                      Exemplary Drawings:</p> 	 <p>Building Bricks Value Set (759) Bricks</p>  <p>Building Bricks Value Set (253) Bricks</p>

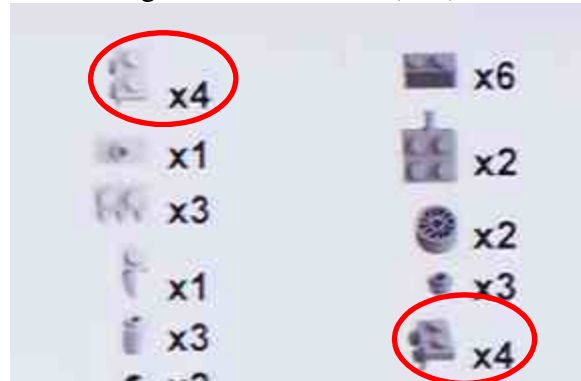


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US D688,328 S  
 Issue Date: August 20, 2013  
 Exemplary Drawing:



Building Bricks Value Set (759) Bricks



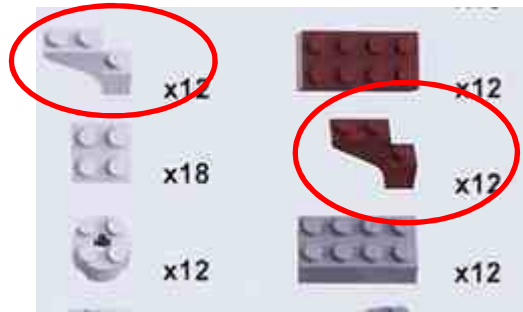
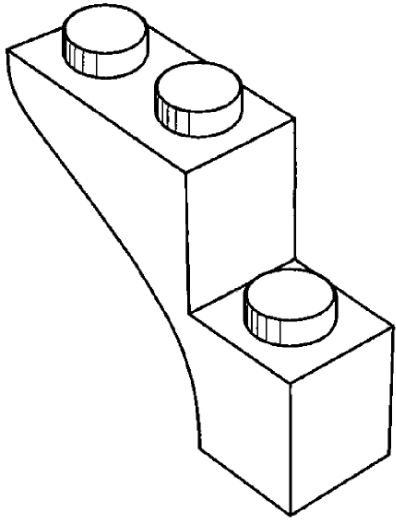
Building Bricks Value Set (253) Bricks



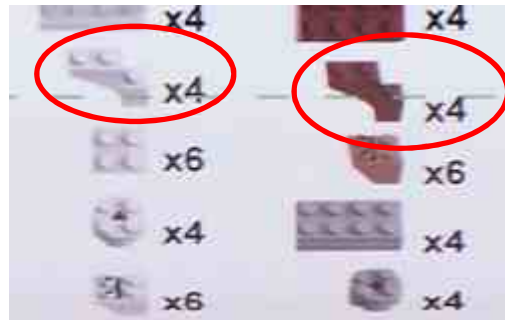


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US D641,053S  
Issue Date: July 5, 2011  
Exemplary Drawing:



Building Bricks Value Set (759) Bricks

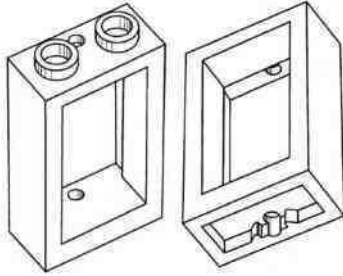


Building Bricks Value Set (253) Bricks



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D614,707 S  
Issue Date: April 27, 2010  
Exemplary Drawing:



Building Bricks Accessories and Wheels Value Set  
(250 Pieces)

# **Exhibit M**



BOSTON CONNECTICUT FLORIDA NEW JERSEY NEW YORK WASHINGTON, DC

**ELIZABETH A. ALQUIST**  
Attorney at Law

242 Trumbull Street  
Hartford, CT 06103  
T: (860) 275-0137 F: (860) 275-0343  
eaalquist@daypitney.com

December 3, 2018

**VIA UPS & E-MAIL ([NIKKI@ZURU.COM](mailto:NIKKI@ZURU.COM))**

ZURU Group  
Attn: Nikki Kahn  
CC: Gregory Smith  
Room 1202, 12F  
Energy Plaza  
Grandville Road  
TST East, Kowloon, Hong Kong

Re: Infringement of the LEGO Group of Companies' Intellectual Property  
Client-Matter No: 704159-000070

Dear Attorney Kahn:

As you know, we represent the LEGO Group of Companies including, but not limited to, LEGO A/S, LEGO System A/S, LEGO Systems, Inc. and LEGO Juris A/S (together, the “Company”) in connection with intellectual property matters.

On November 12, 2018, we sent a letter outlining ZURU Group’s (“ZURU”) unauthorized and infringing use of the Company’s intellectual property, including trademarks, trade dress, copyrights, and design patents, in connection with products in the MAX Build More line of construction toys (the “Infringing Products”). The Company demanded that ZURU immediately cease use of the Company’s intellectual property and recall and certify destruction of all infringing product packaging and product elements included in the Infringing Products.

On November 21, 2018, you sent a holding response stating that ZURU is reviewing the matter and that you would get back to us by November 23, 2018 or “not too long after;” however, we still have not received a response and no action appears to have been taken to satisfy compliance with our demands.

The Infringing Products are still available for purchase on Walmart.com, as shown in Exhibit A, and continue to be displayed on ZURU’s website, <https://buildtothemax.zuru.com/>,



ZURU Group  
December 3, 2018  
Page 2

with a link to purchase the Infringing Products on Walmart.com, as shown in Exhibit B. As recently as yesterday, December 2, 2018, ZURU has continued to post advertisements on its social media pages including links to purchase the Infringing Products on Walmart.com, as shown in Exhibit C.

The Company does not object to fair competition, but it insists that all products be sold on the strength and merits of their own brands, something ZURU's MAX Build More line of products does not do. Rather, ZURU is unjustly capitalizing on the notoriety and frame of the Company's intellectual property and the Company is harmed each day that sales of the Infringing Products continue.

Please immediately confirm that ZURU intends to comply with all of the Company's demands outlined in our November 12, 2018 letter, attached herein. Absent significant undertakings to comply with these requests by **December 7, 2018**, the Company will have no choice but to take any and all appropriate action to protect its invaluable assets.

This letter is provided without prejudice to any claims or remedies the Company may have in connection with this matter whatsoever, all of which are expressly reserved. The Company reserves the right to take further action, without notice.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Elizabeth A. Alquist'.

Elizabeth A. Alquist

Attachments

**ACKNOWLEDGED AND AGREED TO BY:**

**ZURU GROUP**

**By:** \_\_\_\_\_

**Name:**

**Its:**

**Date**



ZURU Group  
 December 3, 2018  
 Page 3

**Exhibit A**

max build more
✕
🔍

Showing 1-20 of 56 results Refine by | Price ▾ | Store Availability ▾ | Sort by | Best Match ▾ |

**Departments**

Toys

- Shop Toys by Price
- All Toys by Price
- Building Sets & Blocks
- LEGO
- Building Blocks
- Easter Toys
- Easter Toys

[See all Toys](#) ⋮

[See All Departments](#) ⋮

**Shipping & Pickup**

- Show all
- 2-day shipping
- Ship to Home
- FREE Pickup
- FREE Pickup Today

NEW

**Max build more building bricks value set (253 bricks) - major brick brands compatible**

★★★★★ 14

- Zuru Max Build Construction Value Brick

\$9.97

2-day shipping

Free pickup today

NEW

**Max build more building bricks accessories and wheels value set (250 pieces) - major brick brands compatible**

★★★★★ 28

- Build what you want with 253 MAX Brick pieces!
- Get MAX quality at a MAX savings! #BuildToTheMAX!
- Fully compatible with other major building brick brands.
- MAX Ideas booklet

\$12.97

2-day shipping

Free pickup today

**LEGO Classic Medium Creative Brick Box 10696**

★★★★★ 168

- Age Range: 4 years and up
- Designed with builders of all ages in mind
- 35 different colors

\$27.99

List: \$34.99

2-day shipping

Free pickup today

101285633.1



ZURU Group  
December 3, 2018  
Page 4

**Exhibit B**

The image is a screenshot of a web browser displaying the ZURU MAX website. The browser's address bar shows the URL "https://buildtothemax.zuru.com/". The website's navigation bar is red and contains the text "BUY NOW", "ABOUT", and "PRODUCT", along with social media icons for Facebook and Instagram. The main content area features a large graphic of the "MAX" logo, which is a stylized white font with a red outline, set against a red background that resembles a construction block. Below the logo, the text reads "BUILD MORE KIDS TO BUILD. YOU TO SAVE. THAT'S MAX." in bold, black and red capital letters. A blue button with a white Walmart logo and the text "BUY AT WALMART" is positioned below the text. A red arrow points from the right towards this button. Below the banner, there is a large red tub of MAX Build More blocks, which is labeled "MAX BUILD MORE" and "750". To the right of the tub, the text "MAX SAVINGS MAX QUALITY" is displayed in red and black. Below this text, a short paragraph reads: "Do you want to BUILD MORE? Then take it to the MAX with MAX Build More - the premium toy construction blocks that rock and save you money." A black button with the text "LEARN MORE" is located at the bottom right of the promotional area.

ZURU Group  
December 3, 2018  
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Exhibit C





# **Exhibit N**

Room 1202, 12F  
Energy Plaza,  
Grandville Road,  
TST East, Kowloon, Hong Kong



Tel: 852.3746.9003  
Fax: 852.3746.9005  
www.zuru.com

**Confidential, privileged and without prejudice**

3 December 2018

Sent by email to: [eaalquist@daypitney.com](mailto:eaalquist@daypitney.com); [mraubeson@daypitney.com](mailto:mraubeson@daypitney.com)

Day Pitney LLP  
242 Trumbull Street  
Hartford CT 06103-1212

Dear Ms Alquist

**RE: ALLEGED INFRINGEMENT OF THE LEGO GROUP OF COMPANIES' INTELLECTUAL PROPERTY**

We write in response to your letter of 12 November 2018, regarding ZURU's products in the MAX BUILD MORE™ construction toy range. ZURU is excited to be entering the construction toy category with a great new value range. And while we acknowledge your client's long history in the construction toy category, we deny that our products infringe on any valid intellectual property (IP) rights of your client or exploit your client's reputation in any unlawful way.

Our aim is to build our own brand and reputation in the construction toys category, and to that end we have taken a number of steps to distinguish our products over those of competitors in the category, including your client. Our products are clearly packaged and labelled with the bold and distinct MAX BUILD MORE™ logo, our products are marked with MAX™, our figurines have a substantially different appearance to competitor figurines, and our bricks are unique in respect of the validly protected bricks of our competitors.

We dispute the validity and scope of the rights raised in your letter, and believe that compliance with the demands in your letter would be unwarranted. However, we do share some objectives in common with your client; namely pursuing fair, lawful and respectful competition for the benefit of consumers, and avoiding a situation that consumers become confused between our products and theirs. With those objectives in mind we have reviewed the issues raised in your letter and have suggested some steps that we are prepared to take for even further differentiation between our product and theirs.

Our comments and proposed steps are set out in the following numbered sections of this letter. We will not recall existing product, but are open to implementing reasonable changes to the product going forward. We are taking this approach in the interests of reaching an amicable way forward with your client, and without any concession that your client's IP rights are valid or any admission of liability. If an amicable way forward cannot be found, we are prepared to defend our position, vigorously challenge your clients' IP rights and claim back all costs and damages.

**Next Steps**

Please review the proposed steps and let us have your reaction. If you agree that a phone call would be the most expedient way to progress the matter, then I propose that we speak within the week. I will be available at your earliest convenience.

Room 1202, 12F  
Energy Plaza,  
Grandville Road,  
TST East, Kowloon, Hong Kong



Tel: 852.3746.9003  
Fax: 852.3746.9005  
www.zuru.com

### **1. MAX BUILD MORE™ Branding and Use of Stud Images**

The bricks on the MAX BUILD MORE™ packaging are used descriptively to give information about the nature of the MAX BUILD MORE™ products. A feature which is common to toys in this category are cylindrical male projections ('studs') that fit into corresponding female recesses to facilitate interconnection of the elements. Such a feature is entirely functional, and is used by many traders in this category to refer to their products.

The bricks and studs which appear on the MAX BUILD MORE™ packaging do not infringe on the LEGO® stud trade marks, and we dispute the validity of those trade marks. We do not propose to remove brick and stud images from our packaging, but if there is another option that would address your client's concerns (some sort of agreement or disclaimer?) then we are open to discussing it.

### **2. MAX BUILD MORE™ Packaging**

The existence of one or more LEGO® trademark registrations bearing the colours red, white and yellow do not entail the claimed monopoly on such a colour combination in the packaging of construction toys.

As far as we are aware LEGO® packages its products in a range of colours, as do all of the other traders in the construction toys category. In children's toys there is a tendency toward packaging in bright primary colours (e.g. red, blue, green, yellow), and in this case we have chosen white on red, with the ZURU™ logo in yellow as usual.

We cannot see any risk that consumers are going to be confused between our products and LEGO® products based on the packaging colour schemes. If you have more information that would clearly show a real danger of confusion then we will review it, but based on the information at hand we cannot see any mutual benefit in revising the MAX BUILD MORE™ packaging colours.

### **3. MAX BUILD MORE™ Bricks**

We are of the opinion that construction elements, due to their entirely functional nature, are not the type of article that gives rise to a separable artistic work which could be protected by copyright. (You noted that a copyright marking appears on the MAX BUILD MORE™ bricks. Such marking was applied in error and has been removed immediately from any further produced product).

Similarly, the design patents referenced in your letter cover entirely functional articles which represent obvious and functional differences over the prior art. Thus we dispute the validity of those patents.

Nonetheless, we have conducted a review of our bricks and altered the appearance of some bricks in our range. Such a review was conducted without any admission that the asserted rights are valid or any admission of liability for infringement, and purely for the purpose of taking as many steps as possible to facilitate even greater differentiation between the brands. On all product shipped from this point forward you can expect to see a significantly amended brick range.

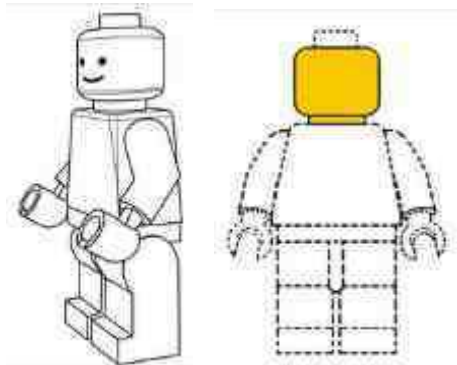
Room 1202, 12F  
Energy Plaza,  
Grandville Road,  
TST East, Kowloon, Hong Kong



Tel: 852.3746.9003  
Fax: 852.3746.9005  
www.zuru.com

#### 4. MAX BUILD MORE™ Figurines

Trademark rights attach to a particular sign, and copyright attaches to particular eligible artworks. As far as we understand your client's claim regarding the figurines, the particular sign and/or artwork in question is the LEGO® Minifigure pictured below.



In comparison to the LEGO® Minifigure, the MAX BUILD MORE™ figurines are clearly distinguishable in overall impression at least for being realistically humanoid, more detailed and more greatly accessorised. Based on these substantial differences, a consumer, even a child, would be able to distinguish between the LEGO® Minifigure and any one of the MAX BUILD MORE™ figurines. We will review the packaging artwork to ensure that these key differences in overall impression are clearly conveyed through illustration as well as in respect of the physical figurines, and any revisions will be implemented into the production line immediately.

We deny that the MAX BUILD MORE™ figurines infringe on the LEGO® IP rights raised in your letter, but if you have genuine concerns in relation to any particular MAX BUILD MORE™ character then we are open to reviewing particular designs with a view to even greater differentiation between the brands.

This letter is a provisional response to the matters raised in your 12 December 2018 letter and not a comprehensive or final outline of ZURU's position, defences or claims. ZURU reserves all rights, claims, defences and remedies against your client.

Sincerely,

A handwritten signature in black ink, appearing to read "Nikki Kahn".

**Nikki Kahn**  
**In House Counsel**  
**ZURU Group**

Email: [nikki@zuru.com](mailto:nikki@zuru.com)  
Phone: +86 755 6688 1988 ext 3093

# **Exhibit O**

**TeVelde, Eric J.**

---

**From:** Nikki Kahn <nikki@zuru.com>  
**Sent:** Thursday, December 13, 2018 6:40 AM  
**To:** Alquist, Beth  
**Cc:** Gregory; Raubeson, Melanie J; TeVelde, Eric J.  
**Subject:** RE: Infringement of the LEGO Group of Companies' Intellectual Property  
**Attachments:** 20181213 screen shot from MAX website.pdf

[[EXTERNAL EMAIL]]

---

Dear Ms Alquist

I *attach* a screen shot from the <https://buildtothemax.zuru.com/product/> website showing the accessory pack removed at today's date, even though you have mistakenly stated below that a link to the accessory pack was still available.

To avoid further confusion, we have removed all of the product from our MAX BUILD MORE website page. Please now see [https://buildtothemax.zuru.com/product\\_trashed/](https://buildtothemax.zuru.com/product_trashed/).

I can confirm that we will recall product currently with Walmart, and that we have started to action that today.

We trust that such actions will show our willingness to reach a resolution, and that your client will accordingly not proceed with TRO and preliminary injunction filings. Please let me know when you get this email and confirm that this is the case. I will try again to reach you by phone to follow up.

Sincerely  
Nikki Kahn



**Nikki Kahn**  
In House Counsel

P: +86 755 6688 1988 | M: +86 1868 247 2307 | S: Nikki.zuru | W: [www.zuru.com](http://www.zuru.com)  
12/F Energy Plaza, 92 Granville Rd, TST, Kowloon, Hong Kong



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---

**From:** Alquist, Beth [mailto:eaalquist@daypitney.com]  
**Sent:** 2018年12月12日 23:05  
**To:** Nikki Kahn <nikki@zuru.com>  
**Cc:** Gregory <gregory@zuru.com>; Raubeson, Melanie J <mraubeson@daypitney.com>; TeVelde, Eric J. <etevelde@daypitney.com>  
**Subject:** RE: Infringement of the LEGO Group of Companies' Intellectual Property

Dear Atty. Kahn,

Thank you for your email. In it you finally acknowledge the LEGO Group's intellectual property rights that you must stop infringing. You also claim "the link to the accessory pack on the MAX BUILD MORE website has been removed." To the contrary, however, your website continues to show dozens of infringing products, and the link to the accessory pack takes consumers to [Walmart.com](http://Walmart.com), showing only that the accessory pack (still shown with infringing products) is out of stock. <https://buildtothemax.zuru.com/product/> In short, you continue to infringe and indicate that you plan to continue to do so through the holiday season.

Please confirm that you will comply with all of the demands of our initial, November 12, 2018 letter (which lays out in great detail each of our claims, although we have found additional IP that you are infringing as well). Our demands include pulling product from the shelves at retailers, including Walmart. If you do not do so by the close of business **today**, December 12, 2018 (U.S. EST), you leave us no choice but to seek Court intervention to stop the irreparable harm ZURU is causing the LEGO Group.

Please provide us with the contact information of your external counsel as soon as you have retained one.

Kind regards,  
Beth

Elizabeth A. (Beth) Alquist | Attorney at Law | [Attorney Bio](#)



242 Trumbull Street | Hartford CT 06103-1212  
t (860) 275 0137 | f (860) 881 2456 | m (860) 543 4197  
[eaalquist@daypitney.com](mailto:eaalquist@daypitney.com) | [www.daypitney.com](http://www.daypitney.com)

BOSTON | CONNECTICUT | FLORIDA | NEW JERSEY | NEW YORK | WASHINGTON, DC



---

**From:** Nikki Kahn [<mailto:nikki@zuru.com>]  
**Sent:** Wednesday, December 12, 2018 4:36 AM  
**To:** Alquist, Beth  
**Cc:** Gregory; Raubeson, Melanie J; TeVelde, Eric J.  
**Subject:** RE: Infringement of the LEGO Group of Companies' Intellectual Property

[[EXTERNAL EMAIL]]

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Dear Ms Alquist

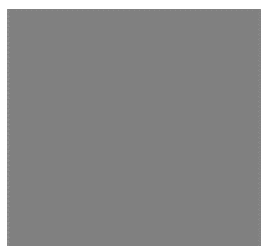
Thank you for coming back to us with your reaction. Seeing as we have only received your reaction today, I encourage you to allow some further time for discussion between the parties before you go to the Court with this matter.

Our response was not intended to be deliberately vague. You will appreciate that it was a general preliminary response from in house, in reply to your letter which set out some broad concerns about a range of LEGO IP rights in relation to the MAX BUILD MORE product line in general. We were waiting for further information from you in order to be able to understand some of your claims. Before you go to the Court with specific claims relating to specific MAX BUILD MORE products in view of specific IP rights of LEGO, it would be reasonable to firstly let us see and respond to those claims with a full understanding of the specific issues at hand. We will engage external counsel for this purpose, and can then provide you with details.

We have already stopped shipments of our MAX BUILD MORE products while your client's concerns are investigated, and the link to the accessory pack on the MAX BUILD MORE website has been removed. Product shipped in future will have substantial differences for the reasons outlined in our previous letter, and it was hoped that through discussion with your client there might be some more further changes that could be made in order to reach a resolution without recourse to the Courts.

You have said that unidentified product changes in an unidentified timeframe are not acceptable. We are prepared to make identified product changes within an identified timeframe, but were waiting on the reaction and possible input from your client before finalising changes. The timeframe depends on when we can finalise the changes, but we are not shipping in the meantime. If you can send me the full details of your claim (which sound like they are quite voluminous) and indicate that you will refrain from Court filings while we make a good faith effort to resolve the matter, then I can send you drawings of the proposed changes on a without prejudice basis.

Sincerely  
Nikki Kahn



**Nikki Kahn**  
In House Counsel

P: +86 755 6688 1988 | M: +86 1868 247 2307 | S: Nikki.zuru | W: [www.zuru.com](http://www.zuru.com)  
12/F Energy Plaza, 92 Granville Rd, TST, Kowloon, Hong Kong



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---

**From:** Alquist, Beth [<mailto:eaalquist@daypitney.com>]  
**Sent:** 2018年12月12日 12:55  
**To:** Nikki Kahn <[nikki@zuru.com](mailto:nikki@zuru.com)>  
**Cc:** Gregory <[gregory@zuru.com](mailto:gregory@zuru.com)>; 'tdunlap@dbllawyers.com' <[tdunlap@dbllawyers.com](mailto:tdunlap@dbllawyers.com)>; 'dludwig@dbllawyers.com' <[dludwig@dbllawyers.com](mailto:dludwig@dbllawyers.com)>; Raubeson, Melanie J <[mraubeson@daypitney.com](mailto:mraubeson@daypitney.com)>; TeVelde, Eric J. <[etevelde@daypitney.com](mailto:etevelde@daypitney.com)>  
**Subject:** RE: Infringement of the LEGO Group of Companies' Intellectual Property

Dear Atty. Kahn,

We are in receipt of your December 5, 2018 letter in which you indicate that ZURU will not comply with the LEGO Group's reasonable demands that ZURU stop violating its intellectual property rights. Indeed, without basis, you simply indicate that you do not believe in the LEGO Group's rights, while vaguely indicating you will make some unidentified changes to your product at some unidentified time in the future. That is unacceptable.

Please be advised that we intend to seek a temporary restraining order in the United States District Court, District of Connecticut to stop the irreparable harm ZURU is causing to the LEGO Group in its willful violation



of the LEGO Group's copyright, trademark and patent rights in continuing to manufacture, sell, offer to sell and import the infringing Max Build More products. We are preparing the papers now, which are quite voluminous in light of ZURU's extensive infringement. We plan to file the Complaint and motion for temporary restraining order and preliminary injunction tomorrow or Thursday and invite you or your counsel to appear. We will send you the papers when they are complete and are being filed.

We have copied the U.S. law firm that we understand has represented you in intellectual property matters in at least Texas and New Jersey in an abundance of caution, since you have not indicated that you are represented by any counsel in this matter. If you are represented by counsel in this matter, please let us know the contact information of that counsel immediately. Thank you.

Kind regards,

Beth

---

**From:** Nikki Kahn [<mailto:nikki@zuru.com>]  
**Sent:** Wednesday, December 05, 2018 4:45 AM  
**To:** Raubeson, Melanie J  
**Cc:** Alquist, Beth; Gregory  
**Subject:** RE: Infringement of the LEGO Group of Companies' Intellectual Property

[[EXTERNAL EMAIL]]

---

Dear Ms Raubeson

Please see our attached letter with suggested next steps and let us have your reaction.

In your 4 December letter you refer to certain online advertisements. Please be advised that we are in the process of updating marketing materials to match product changes that have been implemented for the reasons explained in our letter.

Sincerely  
Nikki Kahn



**Nikki Kahn**  
In House Counsel

P: +86 755 6688 1988 | M: +86 1868 247 2307 | S: [Nikki.zuru](mailto:Nikki.zuru) | W: [www.zuru.com](http://www.zuru.com)  
12/F Energy Plaza, 92 Granville Rd, TST, Kowloon, Hong Kong



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---

**From:** Raubeson, Melanie J [<mailto:mraubeson@daypitney.com>]  
**Sent:** 2018年12月4日 7:50  
**To:** Nikki Kahn <[nikki@zuru.com](mailto:nikki@zuru.com)>  
**Cc:** Alquist, Beth <[eaalquist@daypitney.com](mailto:eaalquist@daypitney.com)>  
**Subject:** RE: Infringement of the LEGO Group of Companies' Intellectual Property

Dear Ms. Kahn,

Please see the attached letter.

Sincerely,

Melanie J Raubeson | Attorney at Law | [Attorney Bio](#)



242 Trumbull Street | Hartford CT 06103-1212

t (860) 275 0213 | f (860) 881 2451 | m (860) 247 8427

[mraubeson@daypitney.com](mailto:mraubeson@daypitney.com) | [www.daypitney.com](http://www.daypitney.com)

BOSTON | CONNECTICUT | FLORIDA | NEW JERSEY | NEW YORK | WASHINGTON,

DC   

---

**From:** Raubeson, Melanie J  
**Sent:** Wednesday, November 21, 2018 1:05 PM  
**To:** 'nikki@zuru.com'  
**Cc:** Alquist, Elizabeth A.  
**Subject:** RE: Infringement of the LEGO Group of Companies' Intellectual Property

Dear Ms. Kahn,

Thank you for your e-mail. As you are aware from review of our letter sent nine days ago, we have requested full compliance with our demands by November 26, 2018. Please confirm ZURU plans to comply by this deadline. If not, our client will have no choice but to consider any and all legal claims and remedies in connection with this matter, all of which are expressly reserved.

Sincerely,

Melanie J Raubeson | Attorney at Law | [Attorney Bio](#)



242 Trumbull Street | Hartford CT 06103-1212

t (860) 275 0213 | f (860) 881 2451 | m (860) 247 8427

[mraubeson@daypitney.com](mailto:mraubeson@daypitney.com) | [www.daypitney.com](http://www.daypitney.com)

BOSTON | CONNECTICUT | FLORIDA | NEW JERSEY | NEW YORK | WASHINGTON,

DC   

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**From:** Nikki Kahn [<mailto:nikki@zuru.com>]  
**Sent:** Wednesday, November 21, 2018 12:59 AM  
**To:** Raubeson, Melanie J  
**Cc:** Alquist, Elizabeth A.  
**Subject:** RE: Infringement of the LEGO Group of Companies' Intellectual Property

[[EXTERNAL EMAIL]]

---

Dear Ms Raubeson, Ms Alquist

I am writing to acknowledge receipt of your letter. We are reviewing and will endeavor to respond by the requested date of 23 November. If you have not received our response by then, please expect it not too long after.

Sincerely  
Nikki Kahn



**Nikki Kahn**  
In House Counsel

P: +86 755 6688 1988 | M: +86 1868 247 2307 | S: Nikki.zuru | W: [www.zuru.com](http://www.zuru.com)  
12/F Energy Plaza, 92 Granville Rd, TST, Kowloon, Hong Kong



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---

**From:** Raubeson, Melanie J [<mailto:mraubeson@daypitney.com>]  
**Sent:** 2018年11月13日 6:03  
**To:** Nikki Kahn <[nikki@zuru.com](mailto:nikki@zuru.com)>  
**Cc:** Alquist, Elizabeth A. <[eaalquist@daypitney.com](mailto:eaalquist@daypitney.com)>  
**Subject:** Infringement of the LEGO Group of Companies' Intellectual Property




Dear Attorney Kahn,

Please find the attached letter addressed to the attention of Attorney Gregory Smith.

Sincerely,

Melanie J Raubeson | Attorney at Law | [Attorney Bio](#)



242 Trumbull Street | Hartford CT 06103-1212  
t (860) 275 0213 | f (860) 881 2451 | m (860) 247 8427  
[mraubeson@daypitney.com](mailto:mraubeson@daypitney.com) | [www.daypitney.com](http://www.daypitney.com)  
BOSTON | CONNECTICUT | FLORIDA | NEW JERSEY | NEW YORK | WASHINGTON, DC   

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# **Exhibit P**

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

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-----x
LEGO A/S; LEGO SYSTEMS, Inc.;      :
and LEGO Juris A/S,                 :
                                     :
           Plaintiffs,              :
                                     :
v.                                    :   Civil No. 3:18-cv-2045 (AWT)
                                     :
ZURU Inc.,                           :
                                     :
           Defendant.               :
-----x

```

**TEMPORARY RESTRAINING ORDER**

Upon consideration of the plaintiffs' Motion for a Temporary Restraining Order and a Preliminary Injunction and the entire record herein, including the Verified Complaint, the plaintiffs' memorandum of law, and the testimony at the hearing today, it is hereby:

**ORDERED** that for a period of fourteen (14) days from the issuance of this Temporary Restraining Order, good cause having been shown pursuant to Rule 65 of the Federal Rules of Civil Procedure that immediate and irreparable injury and damage will result to the plaintiffs before the motion for a preliminary injunction can be heard and decided, that the plaintiffs' motion for a temporary restraining order is **GRANTED**; and it is

**FURTHER ORDERED** that the defendant, ZURU Inc., together with its agents, servants, employees, successors and assigns, and all those in active concert or participation with them be

and hereby are, for a period of fourteen (14) days from entry of this Temporary Restraining Order and using defined terms as they appear in the plaintiffs' memorandum of law (ECF No. 7-1),

**RESTRAINED AND ENJOINED** from

- a. manufacturing, selling, offering for sale, displaying or authorizing the sale of products, including the Infringing Products, containing unauthorized reproductions of the copyrighted and trademarked Minifigure figurine, including any figurine or image that is substantially similar to the Minifigure Copyrights or likely to be confused with the Minifigure Trademarks;
- b. manufacturing, selling, offering for sale, or authorizing the sale of construction toy elements that are substantially similar to the Asserted Patents, including in the Infringing Products, or applying the patent design or any colorable imitation thereof to any article of manufacture for the purpose of sale;
- c. manufacturing, selling, offering for sale, displaying or authorizing the sale of products, including the Infringing Products, containing unauthorized reproductions of the copyrighted Friends figurine including any figurine or image that is substantially similar to the Friends Copyrights; and it is

**FURTHER ORDERED** that the plaintiffs have shown that they have and will suffer immediate and irreparable injury and it is apparent that they are likely to prevail on their claims, and accordingly, the plaintiffs are not required to post bond; and it is

**FURTHER ORDERED** this Temporary Restraining Order shall take effect immediately and shall remain in effect pending the show cause hearing or further order of this court; the defendant may apply to the court for dissolution or modification of this Temporary Restraining Order on two court days' notice to the plaintiffs; and it is

**FURTHER ORDERED** that a hearing will be held by this court on December 27, 2018, in the South Courtroom, at 10:00 a.m., at which time the defendant is required to show cause why a preliminary injunction should not issue.

It is so ordered.

Signed this 14th day of December 2018, at 6:24 p.m., at Hartford, Connecticut.

/s/ AWT  
\_\_\_\_\_  
Alvin W. Thompson  
United States District Judge



# Exhibit Q

NOTE: This disposition is nonprecedential.

**United States Court of Appeals  
for the Federal Circuit**

---

**LEGO A/S, LEGO SYSTEMS, INC., LEGO JURIS A/S,**  
*Plaintiffs-Appellees*

v.

**ZURU INC.,**  
*Defendant-Appellant*

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2019-2122

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Appeal from the United States District Court for the District of Connecticut in No. 3:18-cv-02045-AWT, Senior Judge Alvin W. Thompson.

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Decided: January 15, 2020

---

ELIZABETH A. ALQUIST, Day Pitney LLP, Hartford, CT, argued for plaintiffs-appellees. Also represented by JOHN W. CERRETA.

JOHN WILLIAM LOMAS, JR., Dentons US LLP, Washington, DC, argued for defendant-appellant. Also represented by TAMI LYN AZORSKY, ROBERT TYLER GOODWYN.

---

Before WALLACH, CLEVINGER, and HUGHES, *Circuit Judges*.

CLEVINGER, *Circuit Judge*.

This is an interlocutory appeal of Appellant, ZURU Inc. (“ZURU”), from an order of the District Court for the District of Connecticut granting Appellees LEGO A/S (“LAS”), LEGO Systems, Inc. (“LSI”), and LEGO Juris A/S (“LJAS”) (collectively, “LEGO”) a preliminary injunction directed to ZURU products accused of infringing various LEGO copyrights, trademarks, and design patents. *LEGO A/S v. ZURU Inc.*, No. 3:18-cv-2045(AWT), 2019 WL 4643718 (D. Conn. July 8, 2019). This Court has jurisdiction pursuant to 28 U.S.C. §§ 1292(a), (c) and 1295(a). For the reasons discussed below, we affirm-in-part, vacate-in-part, and remand.

## BACKGROUND

### I. Facts

On December 13, 2018, Appellee, LEGO, filed a Verified Complaint in the District of Connecticut against Appellant, ZURU. LEGO is an industry leader in designing and manufacturing toys and play materials for children of all ages worldwide, including toy building elements, figurines, and toy sets in the construction toy category. ZURU is a corporation formed under the laws of the British Virgin Islands that has offices in Hong Kong and similarly designs, manufactures, and markets toys and consumer products.

ZURU launched its allegedly infringing products (*i.e.*, the ZURU Action Figures, Max Build More Bricks, and MAYKA Toy Tape) in early October 2018. On November 12, 2018, LEGO demanded by letter that ZURU cease and desist from the sale of products that allegedly infringe LEGO’s patents, trademarks, and copyrights. The letter requested compliance by November 26, 2018. When no substantive answer was received, LEGO sent a second

LEGO A/S v. ZURU INC.

3

demand letter to ZURU on December 3. On December 5, ZURU provided LEGO with a substantive response stating that it would not cease sale of the Max Build More products and would not comply with LEGO's demands.

Thereafter, LEGO informed ZURU that it would be filing suit and seeking a temporary restraining order ("TRO"). In response, on December 13, ZURU sent another email claiming it would remove the allegedly infringing products from its website and that it would recall products currently with Walmart to moot any need for LEGO to file for a TRO or preliminary injunction. However, because LEGO believed ZURU's products remained up on the Walmart website for sale, LEGO sought relief from the court.

## II. Procedural History

Contemporaneous with the filing of its Complaint, LEGO moved on December 13, 2018 for a TRO and preliminary injunction in the District of Connecticut restraining ZURU from manufacturing, selling, offering for sale, displaying, and importing products that allegedly infringe LEGO's copyrights, trademarks, and design patents.

The District of Connecticut heard the evidence and argument of the parties, and then promptly granted a TRO at a December 14, 2018 hearing. The district court then considered a full round of briefing, considered the parties' evidence at a two-day preliminary-injunction hearing on February 14–15, 2019, and granted LEGO's motion for preliminary injunctive relief on July 8, 2019.

This is an interlocutory appeal of the district court's order granting a preliminary injunction. ZURU timely noticed this appeal the day after the district court entered its order granting a preliminary injunction.

## STANDARD OF REVIEW

When reviewing the grant of a preliminary injunction as to alleged trademark or copyright infringement, legal issues over which it does not have exclusive subject matter jurisdiction, this Court applies the law of the regional circuit. *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1359 (Fed. Cir. 2003); *Atari Games Corp. v. Nintendo of Am. Inc.*, 975 F.2d 832, 837 (Fed. Cir. 1992). In the Second Circuit, a party seeking a preliminary injunction must demonstrate four things: (1) a likelihood of success on the merits; (2) a likelihood of irreparable harm in the absence of injunctive relief; (3) that the balance of hardships favors the moving party; and (4) that the public interest would be served. *Salinger v. Colting*, 607 F.3d 68, 79-80 (2d Cir. 2010). The Second Circuit reviews a district court's decision to grant a preliminary injunction for abuse of discretion. *Oneida Nation of New York v. Cuomo*, 645 F.3d 154, 164 (2d Cir. 2011); *Red Earth LLC v. United States*, 657 F.3d 138, 144 (2d Cir. 2011). In the Second Circuit, a district court has necessarily abused its discretion when it has "(1) based its ruling on an erroneous view of the law, (2) made a clearly erroneous assessment of the evidence, or (3) rendered a decision that cannot be located within the range of permissible decisions." *Oneida*, 645 F.3d at 164 (quoting *Lynch v. City of New York*, 589 F.3d 94, 99 (2d Cir. 2009)). "Under abuse of discretion review, the factual findings and legal conclusions underlying the district court's decision are 'evaluated under the clearly erroneous and *de novo* standards, respectively.'" *Id.* (quoting *Garcia v. Yonkers Sch. Dist.*, 561 F.3d 97, 103 (2d Cir. 2009)).

On the other hand, when reviewing the grant of a preliminary injunction as to alleged patent infringement, this Court applies its own precedents. *Revision Military, Inc. v. Balboa Mfg. Co.*, 700 F.3d 524, 525 (Fed. Cir. 2012) ("[A] preliminary injunction enjoining patent infringement pursuant to 35 U.S.C. § 283 involves substantive matters unique to patent law and, therefore, is governed by the law

of this court.” (quotation and citation omitted)). To obtain a preliminary injunction, a party must establish “that [it] is likely to succeed on the merits, that [it] is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an injunction is in the public interest.” *Luminara Worldwide, LLC v. Liown Elecs. Co.*, 814 F.3d 1343, 1352 (Fed. Cir. 2016) (quoting *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008)). Like the Second Circuit, this Court reviews a district court’s decision granting a motion for preliminary injunction under an abuse of discretion standard. *Id.* at 1351–52. An abuse of discretion has occurred when “the court made a clear error of judgment in weighing relevant factors or exercised its discretion based upon an error of law or clearly erroneous factual findings.” *Erico Int’l Corp. v. Vutec Corp.*, 516 F.3d 1350, 1353 (Fed. Cir. 2008) (quoting *Novo Nordisk of N. Am., Inc. v. Genentech, Inc.*, 77 F.3d 1364, 1367 (Fed. Cir. 1996)).

## DISCUSSION<sup>1</sup>

### I. The ZURU Action Figures

The first issue we consider is the district court’s entrance of a preliminary injunction on the MAX Build More 15 MAX Figures set (the “ZURU Action Figures”) for its alleged infringement of registered LEGO copyrights and trademarks. Both parties have acknowledged that should this Court affirm the district court’s entrance of a preliminary injunction as to the ZURU Action Figures for either of LEGO’s copyright or trademark infringement claims, the product remains enjoined. Because we conclude that the

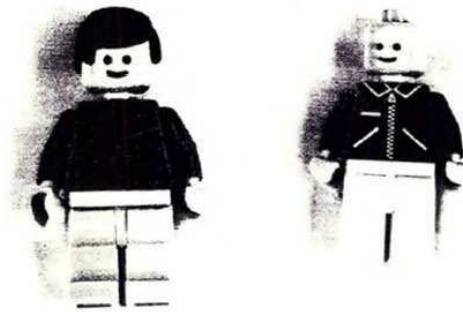
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<sup>1</sup> For each of the various products covered by the district court’s preliminary injunction, ZURU contests some, but not all, of the factors necessary to secure a preliminary injunction. We address only those factors contested by ZURU on appeal.

district court did not abuse its discretion in entering the preliminary injunction with respect to LEGO's copyright infringement claim as to the ZURU Action Figures, we do not reach ZURU's alleged trademark infringement for purposes of this appeal.

#### A. Likelihood of Success on the Merits

To maintain an action for copyright infringement in the Second Circuit, "a plaintiff must establish '(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.'" *Kwan v. Schlein*, 634 F.3d 224, 229 (2d Cir. 2011) (quoting *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991)). The district court found, and ZURU does not dispute, that LEGO owns valid copyrights, including Registration Numbers VA0000655230 and VA0000655104 (the "Minifigure Copyrights"), covering the 3D sculpture of certain figurines (the "Minifigure Figurines").



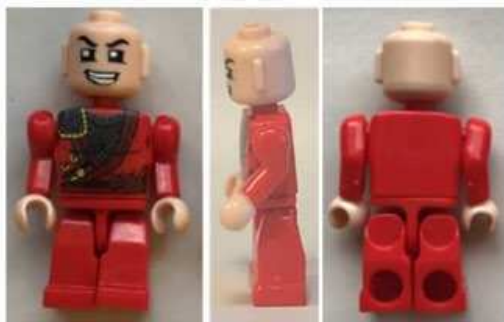
Registration Number VA0000655230

Registration Number VA0000655104

"To satisfy the second element, plaintiff 'must also show copying by defendants. . . . Copying may be inferred where a plaintiff [1] establishes that the defendant had access to the copyrighted work and [2] that substantial similarities exist as to protectible material in the two works.'" *Leary v. Manstan*, 118 F. Supp. 3d 460, 465 (D. Conn. 2015) (quoting *Walker v. Time Life Films, Inc.*, 784 F.2d 44, 48 (2d Cir. 1986)). The district court found, and ZURU does not dispute, that ZURU had access to LEGO's products.

Thus, the only dispute was whether substantial similarities exist as to protectible material in the LEGO Minifigures and ZURU Action Figures.

As previously noted, the ZURU Action Figures became available for sale to the public through Walmart retail locations and the Walmart Website on or about October 1, 2018.



Representative ZURU Action Figure

LEGO maintains the ZURU Action Figures are substantially similar to the overall look and feel of LEGO's Minifigure Figurine, one of LEGO's most iconic construction toys. The district court agreed.

On appeal, ZURU argues: (1) that the district court's analysis of LEGO's likelihood of success on its copyright claim against the ZURU Action Figures was fundamentally flawed because the district court improperly relied on LEGO's expert's comparisons of the allegedly infringing ZURU Action Figures to LEGO Minifigures instead of to the LEGO copyright registration images;<sup>2</sup> and (2) that if the district court's approach was acceptable, the court still made clearly erroneous factual findings because the ZURU Action Figure designs are different and distinct from the

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<sup>2</sup> While LEGO argues that ZURU attempts to raise this issue for the first time on appeal, ZURU raised it below. *See* J.A. 560–63; J.A. 601; J.A. 613; J.A. 1129.



LEGO product designs. We disagree for the reasons discussed below.

We begin by addressing the propriety of the district court's comparison of the ZURU Action Figures to actual LEGO Minifigures, rather than the copyright images. As an initial matter, LEGO's expert, Ms. Knight, upon whom the district court relied, testified that, in addition to comparing the ZURU Action Figures with LEGO Minifigures, she did compare the ZURU Action Figures to the LEGO copyright registration images in coming to her conclusions. *See* J.A. 1446. Specifically, Ms. Knight testified that as part of her analysis, she reviewed all the images shown on page 2 of her power point, including the image from copyright registration VA0000655104, with the ZURU Action Figure. *See* J.A. 1446–47 (citing J.A. 1627). Nevertheless, Ms. Knight's, and the district court's, additional comparison of the allegedly infringing ZURU Action Figures to the LEGO Minifigures was proper.

To bolster its argument, ZURU alleges that such a comparison was an improper comparison of allegedly infringing works, *i.e.*, the ZURU Action Figures, to unregistered derivative works. The LEGO Minifigures identified in ZURU's brief, however, are not derivative works. A “derivative work,” “must incorporate some or all of a ‘preexisting work’ and add new original copyrightable authorship to that work.” *LEGO A/S v. Best-Lock Constr. Toys, Inc.*, No. 3:11-cv-01586 (CSH), 2019 WL 3387330, at \*9 (D. Conn. 2019) (citing United States Copyright Office, Copyright In Derivative Works and Compilations (2013), <https://www.copyright.gov/circs/circ14.pdf> (emphasis added)).

As ZURU acknowledges, LEGO has a registered copyright entitled “Basic Minifigures” and alternatively titled “Figures with jackets, helmets, or crash helmets.” Appellant's Br. at 35. The LEGO Minifigure analyzed by Ms. Knight and the district court is just that—a basic

minifigure wearing a jacket. Indeed, the copyrightable elements of the Minifigure Copyrights and the Minifigure sculptures relied upon by the district court are the same — *i.e.*, apart from the medium in which they are conveyed, there are no material differences between the LEGO Minifigure sculptures and the corresponding copyright images.<sup>3</sup>

The Second Circuit has squarely held that translation of a work to a different medium does not demonstrate sufficient originality to warrant additional copyright protection. *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 491 (2d Cir. 1976) (finding that because “translation [of a work of art] to a different medium” is “merely a trivial variation,” creating a plastic version of a cast iron “Uncle Sam” toy coin bank in the public domain lacked the originality to support a copyright). Thus, the shift in medium from a copyright registration image to sculpture does not add the original copyrightable authorship necessary to constitute a derivative work. Therefore, the analyzed LEGO Minifigures are not, as ZURU contends, unregistered derivative works—they are physical embodiments of the copyrighted images. And, as this Court has held in the design patent context, “[w]hen no significant distinction . . . has been shown between the [registered] drawing and its physical embodiment, it is not error for the court to view them both, and to compare the embodiment of the . . . design with the accused devices.” *Lee v. Dayton-Hudson Corp.*, 838 F.2d 1186, 1189 (Fed. Cir. 1988). Accordingly, we find that the district court did not commit legal error in comparing the allegedly infringing ZURU Action Figures to the physical embodiment of the basic minifigures seen in LEGO’s copyright registrations.

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<sup>3</sup> Though the Minifigure sculpture analyzed by Ms. Knight differed from the Minifigure Copyright Image in facial expression and jacket color, for the reasons discussed *infra*, such differences are not material.

Nevertheless, even if the district court and Ms. Knight's additional comparisons to the Minifigure Figures were legal error, ZURU identifies no material differences between the figures depicted in the LEGO copyright registrations and the ones the district court and Ms. Knight compared to the ZURU Action Figures. To the contrary, ZURU's arguments on appeal apply equally to the Minifigure Copyright images and the LEGO Minifigure viewed by the district court. *Compare* J.A. 621-32 *with* Appellant's Br. at 38-39; *see also* J.A. 1811-18; J.A. 1842. Accordingly, we find that even if ZURU had shown that the district court compared the wrong figure to the allegedly infringing ZURU Action Figures, it was harmless error.

Next, we address ZURU's argument that the district court made clearly erroneous factual findings because the ZURU Action Figure designs are allegedly different and distinct from the LEGO product designs. Specifically, ZURU argues that Ms. Knight and the district court improperly relied on a vague concept of a similar feel between LEGO Minifigures and the accused ZURU Action Figures, without discussing any specific similarities in the artistic expression. And, according to ZURU, a general sense of similarity is not sufficient. Appellant's Br. at 36 (citing *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 912-13 (2d Cir. 1980); *see also* *Belair v. MGA Entm't, Inc.*, 503 F. App'x. 65, 67 (2d Cir. 2012)).<sup>4</sup> Rather than examining the

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<sup>4</sup> ZURU's cited cases do not support this argument. *Durham* dealt with distinguishing an expression of an idea from an idea itself. *Durham*, 630 F.2d at 912. And, in *Belair*, the Second Circuit made clear that the test is whether there are similarities in aesthetic appeal. 503 F. App'x at 67. There is no contention in this case that Ms. Knight or the district court improperly compared ideas—indeed, it is undisputed that Ms. Knight and the district court compared artistic expressions of those ideas, *i.e.*, the

works for their similar concept and feel, ZURU asks the Court to take note of specific differences in shape, expression, and proportions between the LEGO Minifigures and the ZURU Action Figures. Such an analysis is fundamentally at odds with Second Circuit precedent, and we necessarily follow the Second Circuit test for substantial similarity.

As the district court correctly noted, in the Second Circuit:

The standard test for substantial similarity between two items is whether an “ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard [the] aesthetic appeal as the same.” If “an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work,” then the two products are substantially similar. The fact-finder must examine the works for their “total concept and feel.”

*LEGO*, 2019 WL 4643718, at \*4 (citing *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 111 (2d Cir. 2001) (internal citations omitted)). “Consideration of the total concept and feel of a work . . . is especially appropriate in an infringement action involving children’s works, because children’s works are often less complex than those aimed at an adult audience.” *Williams v. Crichton*, 84 F.3d 581, 589 (2d Cir. 1996) (citing *Reyher v. Children’s Television Workshop*, 533 F.2d 87, 91 (2d Cir. 1976), *cert. denied*, 429 U.S. 980 (1976)). Because the standard for determining substantial similarity is whether an ordinary observer, *unless he set out to detect the disparities*, would be disposed to overlook

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actual LEGO Minifigures and the ZURU Action Figures. See *LEGO*, 2019 WL 4643718, at \*4–6.

them, and regard the aesthetical appeal the same,<sup>5</sup> the district court found that the total concept and feel of the ZURU Action Figures is substantially similar to that of LEGO's Minifigure Figurine. Where, as here, ZURU only identifies alleged disparities between the two products and has failed to demonstrate instead that the "total concept and feel" of the two works is different, we see no reason to disagree with the district court's finding on substantial similarity.

For these reasons, we affirm the district court's finding that LEGO is likely to succeed on the merits of its copyright infringement claim against the ZURU Action Figures.

#### B. Irreparable Harm

On appeal, ZURU also argues that the district court clearly erred in finding that LEGO would suffer irreparable harm based on LEGO's claims of intergenerational harm that are too speculative and remote to constitute actual and imminent harm absent an injunction. Additionally, because ZURU argues that benefit to ZURU does not necessarily mean injury to LEGO, any reliance on increased sales or market share by ZURU is not enough to show harm to LEGO.

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<sup>5</sup> ZURU argues that the district court erred in this case in finding that the "lay observer" is an adult, as opposed to the children the toys are designed for. However, because ZURU raises this argument for the first time in its reply brief, we find that it has been waived. *Carbino v. West*, 168 F.3d 32, 34 (Fed. Cir. 1999) ("[C]ourts have consistently concluded that the failure of an appellant to include an issue or argument in the opening brief will be deemed a waiver of the issue or argument." (citing *Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 800 (Fed. Cir. 1990))).

Responding to these arguments below, the district court found that: (1) “the construction toy market is highly competitive and . . . selling products that infringe on . . . LEGO[s] . . . copyrights would allow ZURU . . . to increase its sales and market share, and would also enable it to establish relationships with customers for whom . . . LEGO . . . competes,” *LEGO*, 2019 WL 4643718, at \*17; and (2) LEGO would likely suffer lost goodwill and damaged reputation absent an injunction. With respect to the latter finding, the district court relied on a social media post noting that while ZURU’s Action Figures were “[a]wesome,” a problem is that “the bod[ies] come[] apart extremely easily.” J.A. 361. The risk of consumers associating defective products with the LEGO brand-name is apparent. According to the district court, “[t]hese injuries are unquantifiable.” *LEGO*, 2019 WL 4643718, at \*17.

Harm might be irreparable, or irreparable, for many reasons, including that a loss is difficult to replace or difficult to measure, or that it is a loss that one should not be expected to suffer. *Salinger*, 607 F.3d at 81. Thus, where LEGO’s “losses would be difficult to measure and monetary damages would be insufficient to remedy the harms,” the Second Circuit has found that irreparable harm is likely. *WPIX, Inc. v. ivi, Inc.*, 691 F.3d 275, 286 (2d Cir. 2012).

Accordingly, we find that the district court did not abuse its discretion in finding a likelihood of irreparable harm to LEGO absent a preliminary injunction.

### C. Balance of the Hardships

In addition to showing a likelihood of success on the merits and irreparable harm, a party seeking a preliminary injunction must demonstrate that the balance of hardships favors the moving party. *Salinger*, 607 F.3d at 79–80. As with irreparable harm, ZURU argues that the district court clearly erred in its balance of the hardships analysis. We disagree. ZURU previously argued to the district court that, “the harm of a preliminary injunction on

ZURU would be enormous,” because “ZURU has already lost millions of dollars in sales because of the TRO and stands to lose over \$10 million in 2019,” “ZURU has already had its relationships with retailers damaged, and those relationships will likely be destroyed if a preliminary injunction is entered,” and ZURU’s loss in “shelf space” would result in “crucial harm.” J.A. 1175. ZURU makes the same arguments on appeal.

The district court correctly recognized below, however, that, “defendant’s injuries [would] result solely from its own deliberate acts of infringement engaged in despite the fact that . . . LEGO . . . sent ZURU . . . cease and desist letters in connection with the issues raised in this litigation and had previously done so in 2017.” *LEGO*, 2019 WL 4643718, at \*17. According to the Second Circuit, “[i]t is axiomatic that an infringer . . . cannot complain about the loss of ability to offer its infringing product.” *WPIX*, 691 F.3d at 287 (internal citations omitted).

Accordingly, we find that the district court did not abuse its discretion in finding that the balance of hardships weighed in favor of granting a preliminary injunction.

\* \* \*

For these reasons, we hold that the district court did not abuse its discretion in granting LEGO a preliminary injunction against the ZURU Action Figures for their alleged infringement of the Minifigure Copyrights.

## II. The Max Build More Bricks

LEGO has obtained design patents in the United States for its bricks and building elements. LEGO owns the following patents that are at issue on appeal: U.S. Patent No. D688,328S (the “328 Patent”); U.S. Patent No. D641,053S (the “053 Patent”); and U.S. Patent No. D614,707S (the “707 Patent”) (collectively the “Asserted Patents.”). U.S. Patent No. D701,923S (the “923

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Patent”) is a subject of LEGO’s action before the district court but not of the motion for a preliminary injunction.

LEGO contends that ZURU manufactures and sells, among other things, certain building bricks that are substantially similar to the Asserted Patents in at least three different products: the MAX Build More Building Bricks Value Set (759 Bricks); MAX Build More Building Bricks Value Set (253 Bricks); and the MAX Build More Building Bricks Accessories and Wheels Value Set (250 Pieces). The district court agreed, finding that “a side-by-side comparison in this case reveals that each Infringing Brick utilizes the same design features as the design for the corresponding LEGO brick covered by an Asserted Patent.” *LEGO*, 2019 WL 4643718, at \*13.

On appeal, ZURU does not dispute the district court’s finding that LEGO is likely to succeed on the merits of its design patent infringement claim, and instead only disputes the district court’s findings that LEGO will likely suffer irreparable harm and that the balance of the equities tips in LEGO’s favor. For the reasons discussed below, we find that the district court abused its discretion in making those determinations.

#### A. Irreparable Harm

A party seeking a preliminary injunction must establish that it is likely to suffer irreparable harm if the preliminary injunction is not granted and there is a causal nexus between the alleged infringement and the alleged harm. *Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1360 (Fed. Cir. 2013). Evidence of potential lost sales alone does not demonstrate irreparable harm. *See Abbott Labs. v. Andrx Pharm., Inc.*, 452 F.3d 1331, 1348 (Fed. Cir. 2006). However, as this Court has repeatedly held, loss of revenue, goodwill, and market position are evidence of irreparable harm. *See, e.g., Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341, 1362 (Fed. Cir. 2008) (loss of revenue and market share are evidence of irreparable harm); *Purdue*



*Pharma L.P. v. Boehringer Ingelheim GmbH*, 237 F.3d 1359, 1368 (Fed. Cir. 2001) (likelihood of price erosion and loss of market position are evidence of irreparable harm); *Bio-Tech. Gen. Corp. v. Genentech, Inc.*, 80 F.3d 1553, 1566 (Fed. Cir. 1996) (loss of revenue, goodwill, and research and development support constitute irreparable harm); *Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 975–76 (Fed. Cir. 1996) (loss of market opportunities cannot be quantified or adequately compensated, and is evidence of irreparable harm). Where the injury cannot be quantified, no amount of money damages is calculable, and therefore the harm cannot be adequately compensated and is irreparable. *Metalcraft of Mayville, Inc. v. The Toro Co.*, 848 F.3d 1358, 1368 (Fed. Cir. 2017).

At oral argument, counsel for LEGO stated that the district court relied on two things to show irreparable harm: (1) that absent an injunction, LEGO would effectively be forced into a compulsory license; and (2) that LEGO would suffer a loss of goodwill and brand equity because the accused Max Build More Bricks’ “clutch power,” *i.e.*, their ability to remain stuck together, is inferior. See Oral Arg. at 20:55–22:15, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2019-2122.mp3> (“There are two instances that the court found for irreparable harm on the blocks. One is that it would become a compulsory license. . . [T]he other is again, is the clutch power.”). However, counsel for LEGO admitted that the compulsory license argument is circular, because the result of not being enjoined necessarily entails allowing the alleged infringer to continue selling their accused products in every case. See Oral Arg. at 21:58–22:06, [http://oralarguments.cafc.uscourts.gov/default.aspx?fl=](http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2019-2122.mp3) Additionally, when pressed, counsel for LEGO could not point to any record cite supporting the notion that the Max Build More Bricks, as opposed to the ZURU Action Figures, had inferior “clutch power.” Oral Arg. at 22:28–23:45, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=>

2019-2122.mp3. After reviewing the evidence of record, this Court finds that the only references to “clutch power” are with respect to the allegedly infringing ZURU Action Figures, not the Max Build More Bricks. Thus, LEGO’s compulsory license and “clutch power” arguments are insufficient to show that LEGO would likely suffer irreparable harm absent a preliminary injunction on the allegedly infringing Max Build More Bricks.

In support of its finding, however, the district court also found that LEGO has “shown that the patent infringement will lead to . . . LEGO . . . losing market share.” *LEGO*, 2019 WL 4643718, at \*16. Specifically, the district court found that LEGO’s bricks covered by the Asserted Patents and the corresponding Max Build More Bricks are virtually indistinguishable<sup>6</sup> and that, as a result, LEGO is at risk of losing sales and market share to the defendant. However, as counsel for LEGO admitted at oral argument, there is no evidence of this. *See* Oral Arg. at 22:16–22:28, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2019-2122.mp3> (Q. “Is there any market share, or potential loss of market share, directly attributable to these few bricks?” A. “[T]o the few bricks, specifically, no. There was no record evidence of that.”).

Accordingly, because every stated rationale for the district court’s finding is either incorrect or unsupported, we find that the district court abused its discretion in finding that LEGO would likely suffer irreparable harm absent a preliminary injunction with respect to its design patent infringement claims.

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<sup>6</sup> As noted above, ZURU does not appeal this finding and instead argues only that LEGO is not “threatened if a few of the 250, [253], or 759 bricks that come in the ZURU brick sets infringe the LEGO Design Patents.” Appellant’s Br. at 65.

### B. Balance of the Equities

To obtain a preliminary injunction, a party must also establish “that the balance of equities tips in [its] favor.” *Luminara Worldwide, LLC v. Liown Elecs. Co.*, 814 F.3d 1343, 1352 (Fed. Cir. 2016) (quoting *Winter*, 555 U.S. at 20). It was within the court’s discretion to balance the equities. *Atlas Powder Co. v. Ireco Chems.*, 773 F.2d 1230, 1234 (Fed. Cir. 1985).

For the reasons discussed above with respect to the ZURU Action Figures, the district court did not abuse its discretion in finding that ZURU’s injuries result solely from its own deliberate acts of alleged infringement. Nevertheless, because we find that the district court incorrectly found that LEGO would be irreparably harmed absent an injunction directed to the allegedly infringing Max Build More Bricks, ZURU’s own inability to show harm does not prevent us from finding that LEGO, as the party seeking a preliminary injunction, failed to demonstrate that the balance of equities tips in its favor. *Luminara*, 814 F.3d at 1352.

Accordingly, we find that the district court abused its discretion in finding that the balance of the equities with respect to the design patent infringement claim favors LEGO.

\* \* \*

For these reasons, we find that the district court abused its discretion and vacate its entrance of a preliminary injunction on the allegedly infringing Max Build More Bricks.

### III. The MAYKA Toy Tape Packaging Image

LEGO introduced its Friends™ line of toy products in 2012. This line includes a series of miniature figurines (the “Friends Figurines”) representative of LEGO© Friends™ characters. LEGO owns copyrights registered with the

United States Copyright Office, *i.e.* Registration Numbers VA 1-876-291, VA 1-876-279, VA 1-876-378, and VA 1-876-373 (the “Friends Copyrights”), which protect the 3D sculpture and derivative works of the Friends Figurine. Since at least 2012, LEGO has continuously displayed ‘© LEGO’ in the plastic of the Friends Figurine in various elements of the Friends Figurine, such as on top of the head element.

LEGO contends that “ZURU uses an image on product packaging for its Mayka Toy Block Tape that is strikingly and substantially similar to the overall look and feel of the Friends Copyrights.” *See LEGO*, 2019 WL 4643718, at \*2 (internal citations omitted). The district court agreed, finding that LEGO has shown that the Friends Figurine has protectable elements, that LEGO demonstrated a likelihood of success on the merits of its Friends Copyrights infringement claim, that LEGO is likely to suffer irreparable harm absent an injunction, and that the balance of the hardships tips in LEGO’s favor. For the reasons discussed below, we find that the district court abused its discretion in entering a preliminary injunction directed at the MAYKA Toy Tape products whose packaging includes the allegedly infringing packaging image.

#### A. Likelihood of Success on the Merits

As with the ZURU Action Figures, the only dispute concerning likelihood of success with respect to the MAYKA Toy Tape Packaging Image (“Packaging Image”) is whether substantial similarities exist as to protectible material in the LEGO and ZURU works. First, as with the ZURU Action Figures, ZURU alleges that the district court’s analysis of LEGO’s claim that the Packaging Image infringes LEGO’s Friends Copyrights improperly relied on references to a LEGO product that is not the subject of a copyright registration. Second, according to ZURU, the district court’s conclusion that the Packaging Image is substantially similar to the Figure with Skirt Copyright, VA 1-876-378, provides an additional independent basis to find that

the district court's injunction directed to the Packaging Image is an abuse of discretion and should be reversed. In response to these arguments, LEGO asserts that, contrary to ZURU's allegations, the district court did compare the infringing product to the copyright as registered and found that the overall look and feel of the copyrighted Friends Figurine—with or without hair—is substantially similar to the Packaging Image. For the reasons discussed below, LEGO is correct.

ZURU is correct that Ms. Knight and the district court viewed LEGO's Friends Figurines. However, we need not address whether those figurines constitute unregistered derivative works, because Ms. Knight and the district court nevertheless relied on a comparison of the Friends Copyright images to the allegedly infringing Packaging Image. *See, e.g.*, J.A. 362, 1111, 1452–53; *LEGO*, 2019 WL 4643718, at \*5 (relying on Ms. Knight's substantial similarity analysis). The district court then found that Ms. Knight gave a persuasive explanation as to why there are substantial similarities between the Friends Figurine and the allegedly infringing Packaging Image. *See id.* at \*4–6. This included similarities in terms of scale and proportion, *i.e.*, the length of the leg, the shape of the leg, the proportions or size of the torso, and the head and the hair.<sup>7</sup> *Id.* at \*5.

While ZURU provides a list of alleged differences between the LEGO Friends Copyrights and the Packaging Image based on their own expert's testimony, the district

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<sup>7</sup> ZURU points out that the LEGO Friends Copyright does not have hair. However, this does not undercut Ms. Knight's testimony, upon which the district court relied, that the similarities between the LEGO Friends Copyrights and the Packaging Image extended to scale and proportion, including the length of the leg, the shape of the leg, the proportions or size of the torso, and the head.

court found that these arguments deserve less weight than Ms. Knight's analysis in light of the fact that the standard for determining substantial similarity is whether an "ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard the aesthetic appeal the same." *Id.* (citing *Yurman Design*, 262 F.3d at 111). For the reasons discussed above with respect to the ZURU Action Figures, we see no reason to upset the district court's finding on substantial similarity.

Accordingly, we affirm the district court's finding that LEGO is likely to succeed on the merits of its copyright infringement claim against the Packaging Image.

#### B. Irreparable Harm

ZURU alleges that the district court abused its discretion in finding that LEGO would likely suffer irreparable harm because: (1) there is no evidence that the MAYKA Toy Tape is lacking in quality or in any way inferior to LEGO products; (2) the LEGO witness testimony and one customer comment on which the court relied was not directed to the MAYKA Toy Tape; and (3) LEGO does not sell a product similar to the MAYKA Toy Tape. We agree.

In its Order below, the district court found that LEGO would likely suffer irreparable harm absent a preliminary injunction on ZURU's MAYKA Toy Tape because of "lost goodwill and damaged reputation," and because ZURU would be able "to increase its sales and market share." *Id.* at \*17. First, while LEGO argues in its reply brief that the district court did not abuse its discretion in finding that absent injunctive relief LEGO would lose goodwill and reputation, LEGO points to no evidence of record supporting this finding and admitted at oral argument, "there is no evidence in the record specifically that the tape product is inferior." Oral Arg. at 20:11–20:15, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2019-2122.mp3>. Absent such a showing, LEGO has not, and cannot, show that its continuing sale will lead to lost goodwill and

damaged reputation. Second, it is undisputed that LEGO does not sell a product similar to the MAYKA Toy Tape. *Id.* at 20:42–20:44 (“It’s not inferior to a LEGO product because we don’t sell it.”). Thus, LEGO cannot, nor has it tried to, show that ZURU’s continuing sales of the MAYKA Toy Tape will lead to lost revenue or market share by LEGO.

Accordingly, we find that the district court abused its discretion in finding that LEGO would likely suffer irreparable harm absent a preliminary injunction directed to the MAYKA Toy Tape.

### C. Balance of the Hardships

As discussed above, in addition to showing a likelihood of success on the merits and irreparable harm, a party seeking a preliminary injunction must demonstrate that the balance of hardships favors the moving party. *Salinger*, 607 F.3d at 79–80. Here, ZURU alleges that the district court’s balance of the hardships analysis on LEGO’s claim that the Packaging Image infringes the Friends Copyrights suffers from the same errors as the balance of hardships analysis for LEGO’s claims directed to the ZURU Action Figures and MAX Build More Bricks. For the reasons discussed above with respect to the ZURU Action Figures and Max Build More Bricks, the district court did not abuse its discretion in finding that ZURU’s injuries result solely from its own deliberate acts of alleged infringement. Nevertheless, because we find that the district court incorrectly found that LEGO would be irreparably harmed absent an injunction directed to the MAYKA Toy Tape, ZURU’s own inability to show harm does not prevent us from finding that LEGO, as the party seeking a preliminary injunction, failed to demonstrate that the balance of the hardships analysis favors them. *See id.*

Accordingly, we find that the district court abused its discretion in finding that the balance of the hardships with

respect to LEGO's claim of infringement of the Friends Copyrights favors LEGO.

\* \* \*

For these reasons, we find that the district court abused its discretion and vacate its entrance of a preliminary injunction on the MAYKA Toy Tape products whose packaging includes the allegedly infringing Packaging Image.

#### IV. Bond

According to Federal Rule of Civil Procedure 65(c):

No restraining order or preliminary injunction shall issue except upon the giving of security by the applicant, in such sum as the court deems proper, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained.

Fed. R. Civ. P. 65(c). The Rule thus allows a preliminary injunction to become effective only upon the applicant's positing of an amount that the district court determines adequate. *Corning Inc. v. PicVue Elecs., Ltd.*, 365 F.3d 156, 158 (2d Cir. 2004). "Rule 65(c) gives the district court wide discretion to set the amount of a bond, and even to dispense with the bond requirement where there has been no proof of likelihood of harm" to those enjoined. *Id.* (internal citations omitted); *see also Doctor's Assocs., Inc. v. Stuart*, 85 F.3d 975, 985 (2d Cir. 1996). The amount set for a preliminary injunction bond is reviewed for abuse of discretion. *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1385 (Fed. Cir. 2006) (citing *Doctor's Assocs., Inc. v. Distajo*, 107 F.3d 126, 136 (2d Cir. 1997)).

In this case, the district court determined that a \$25,000 bond was appropriate. According to ZURU, "the district court erred in setting the injunction bond at the nominal amount of \$25,000," because it supposedly "does



nothing to protect ZURU against the substantial and irreparable harm it is suffering and is dwarfed by ZURU's lost revenues." Appellant's Br. at 70. The party against whom a preliminary injunction is sought has the burden of establishing the amount of a bond necessary to secure against the wrongful issuance of the injunction. *See Stuart*, 85 F.3d at 985; *see also Covidien Sales LLC v. Ethicon Endo-Surgery, Inc.*, No. 314-cv-917JCH, 2014 WL 5420212, at \*1 (D. Conn. Oct. 22, 2014) (internal quotations omitted); *Int'l Equity Invs., Inc. v. Opportunity Equity Partners Ltd.*, 441 F. Supp. 2d 552, 556 (S.D.N.Y. 2006) ("[T]he burden is on the party seeking security to establish a rational basis for the amount of the proposed bond."). ZURU failed to meet this burden.

In its Memorandum in Opposition to LEGO's Motion for Temporary Restraining Order and Motion for Preliminary Injunction, J.A. 592, ZURU did not suggest an appropriate amount for bond, instead stating only that "it is appropriate to require Plaintiffs to post a bond *in the amount to be determined at the hearing* as a prerequisite to issuance of an injunction." J.A. 667 (*italics added*). At the hearing, the district court did not determine, and ZURU did not suggest, an appropriate number for bond. *See generally* 1225, 1421. Instead, ZURU noted only that it had lost approximately \$1.4 million to-date as a result of the district court's entrance of the TRO and speculated that it could lose anywhere between \$8–12 million in 2019. After the hearing, ZURU again failed to provide any number for bond. Indeed, rather than attempt to establish the amount of a bond necessary to secure against a wrongful issuance of this injunction, ZURU argued in its Post-Hearing Brief in Opposition to LEGO's Motion for Preliminary Injunction, J.A. 1136, only that any preliminary injunction order must require a bond. *Id.* at 1178–79.

Where, as here, the non-moving party requested only that a bond be entered and failed to establish the amount of a bond necessary to secure against a wrongful issuance

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of this injunction, we find that the district court did not abuse its discretion in setting bond at \$25,000.

#### CONCLUSION

We find that the district court did not abuse its discretion in entering a preliminary injunction with respect to the ZURU Action Figures for their alleged infringement of LEGO's Minifigure Copyrights. However, we find that the district court abused its discretion in entering preliminary injunctions with respect to the Max Build More Bricks and MAYKA Toy Tape after incorrectly determining, on the record before it, that LEGO would likely suffer irreparable harm. Accordingly, the order granting a preliminary injunction is

**AFFIRMED-IN-PART, VACATED-IN-PART,  
AND REMANDED**

#### COSTS

The parties shall bear their own costs.

# **Exhibit R**

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

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LEGO A/S; LEGO SYSTEMS, Inc.;      :
and LEGO JURIS A/S,                 :
                                     :
           Plaintiffs,               :   Civil No. 3:18-cv-2045 (AWT)
                                     :
v.                                    :
                                     :
ZURU, INC.,                          :
                                     :
           Defendant.                :
----- x

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**RULING ON MOTION TO DISMISS**

Counterclaim-defendants LEGO A/S, LEGO Systems, Inc., and LEGO Juris A/S (the "LEGO Group") move to dismiss Counts I, II, and XV of counterclaimant ZURU, Inc.'s Answer and Counterclaims ("Counterclaim"), ECF No. 94, pursuant to Federal Rule of Civil Procedure 12(b)(6) for failure to state a claim upon which relief can be granted. For the reasons set forth below, the LEGO Group's motion is being granted.

**I. FACTUAL ALLEGATIONS**

The allegations of the Counterclaim, discussed in greater detail below in the context of evaluating each of ZURU, Inc.'s claims, are taken as true for purposes of this motion.

On July 22, 2019, ZURU, Inc. filed a 15-count Counterclaim, alleging, inter alia, that the LEGO Group has obtained monopoly power in the construction toy market by improperly procuring putative intellectual property rights directed to construction

toy products and by wrongfully asserting those rights against smaller construction toy companies, including ZURU, Inc. The LEGO Group moves to dismiss only Counts I, II, and XV of the Counterclaim.

Count I of the Counterclaim alleges that the LEGO Group fraudulently and inequitably obtained the following intellectual property rights through omissions and misrepresentations made to the United States Copyright Office (the "Copyright Office") and the United States Patent and Trademark Office (the "USPTO"):

- Copyrights registered with the Copyright Office, including Registration Number VA0000655230 and Registration Number VA0000655104 (collectively, the "Minifigure Copyrights") and Registration Numbers VA 1-876-291, VA 1-876-279, VA 1-876-378, and VA 1-876-373 (collectively, the "Friends Copyrights").
- Trademarks registered with the USPTO, including Registration Numbers 2,273,314, 2,273,321, and 2,922,658 (collectively, the "Stud Trademarks") and Registration Number 4,903,968 (the "Minifigure Trademark").
- Design patents registered with the USPTO, including the '923 patent, the '328 patent, the '053 patent, and/or the '707 patent (collectively, the "Asserted Design Patents").

Count I further alleges that the LEGO Group has knowingly and improperly asserted these intellectual property rights against ZURU, Inc. in the instant litigation, thereby violating Section 2 of the Sherman Act, 15 U.S.C. § 2.

Count II of the Counterclaim alleges that the LEGO Group has intentionally interfered with ZURU, Inc.'s business relationships with its customers by seeking to enforce its

invalid trademarks, copyrights, and patents against ZURU, Inc., with the resulting exclusion of certain ZURU, Inc. products from the United States' construction toy market.

Count XV of the Counterclaim alleges that, by carrying out these alleged acts, the LEGO Group has willfully and maliciously engaged in conduct offensive to public policy, governing statutes, common law principles, and established concepts of fairness, in violation of the Connecticut Unfair Trade Practices Act, Conn. Gen. Stat. §§ 42-110a et seq.

## **II. LEGAL STANDARD**

When deciding a motion to dismiss under Rule 12(b)(6), the court must accept as true all factual allegations in the complaint and must draw inferences in a light most favorable to the plaintiff. Scheuer v. Rhodes, 416 U.S. 232, 236 (1974). Although a complaint "does not need detailed factual allegations, a plaintiff's obligation to provide the 'grounds' of his 'entitle[ment] to relief' requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." Bell Atlantic Corp. v. Twombly, 550 U.S. 550, 555 (2007) (citing Papasan v. Allain, 478 U.S. 265, 286 (1986)) (on a motion to dismiss, courts "are not bound to accept as true a legal conclusion couched as a factual allegation"). "Nor does a complaint suffice if it tenders naked assertions devoid of further factual enhancement." Ashcroft v. Iqbal, 556 U.S. 662,

678 (2009) (quoting Twombly, 550 U.S. at 557). "Factual allegations must be enough to raise a right to relief above the speculative level, on the assumption that all the allegations in the complaint are true (even if doubtful in fact)." Twombly, 550 U.S. at 555 (internal citations and quotations omitted). However, the plaintiff must plead "only enough facts to state a claim to relief that is plausible on its face." Id. at 547. "A claim has facial plausibility when the [claimant] pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." Iqbal, 556 U.S. at 678. "The function of a motion to dismiss is 'merely to assess the legal feasibility of the complaint, not to assay the weight of the evidence which might be offered in support thereof.'" Mytych v. May Dep't Store Co., 34 F. Supp. 2d 130, 131 (D. Conn. 1999) (quoting Ryder Energy Distrib. v. Merrill Lynch Commodities, Inc., 748 F.2d 774, 779 (2d Cir. 1984)). "The issue on a motion to dismiss is not whether the plaintiff will prevail, but whether the plaintiff is entitled to offer evidence to support his claims." United States v. Yale New Haven Hosp., 727 F. Supp. 784, 786 (D. Conn. 1990) (citing Scheuer, 416 U.S. at 232).

In its review of a motion to dismiss for failure to state a claim, the court may consider "only the facts alleged in the pleadings, documents attached as exhibits or incorporated by reference in the pleadings and matters of which judicial notice

may be taken.” Samuels v. Air Transport Local 504, 992 F.2d 12, 15 (2d Cir. 1993). “[I]n some cases, a document not expressly incorporated by reference in the complaint is nevertheless ‘integral’ to the complaint and, accordingly, a fair object of consideration on a motion to dismiss. A document is integral to the complaint ‘where the complaint relies heavily upon its terms and effect.’” Goel v. Bunge, Ltd., 820 F.3d 554, 559 (2d Cir. 2016) (quoting Chambers v. Time Warner, Inc., 282 F.3d 147, 153 (2d Cir. 2002)).

### **III. DISCUSSION**

#### **A. Count I: Violation of the Sherman Act**

With respect to this count, ZURU, Inc. alleges that the LEGO Group “has attempted to monopolize and maintain its monopoly power,” in violation of § 2 of the Sherman Act, by improperly enforcing its fraudulently and inequitably obtained intellectual property rights against other competitors [and] by filing suits with knowledge that the underlying intellectual property rights are unenforceable under the circumstances.” Countercl. ¶ 127. In support of this contention, ZURU, Inc. claims that the LEGO Group engaged in the “aggressive practice of filing for large numbers of intellectual property protections worldwide, including hundreds of publicly visible trademark applications, copyrights, and patents in the United States alone,” and continues to “assert its fraudulently obtained



intellectual property against ZURU, Inc. with the resulting exclusion of ZURU's products from the United States' construction toy market." Id. The Lego Group moves to dismiss Count I on three grounds: (1) failure to allege a relevant market, (2) failure to allege an antitrust injury, and (3) failure to plead fraud with particularity as required by Federal Rule of Civil Procedure 9(b). Its arguments as to the first two grounds are unavailing but the court agrees that Count I should be dismissed for failure to plead fraudulent intent.

#### **1. Failure to Allege a Relevant Market**

In assessing a monopolization claim under § 2 of the Sherman Act, "courts have found it necessary to consider the relevant market and the defendant's ability to lessen or destroy competition in that market." Spectrum Sports, Inc. v. McQuillan, 506 U.S. 447, 456 (1993); see also Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 177 (1965) ("To establish monopolization or attempt to monopolize a part of trade or commerce under § 2 of the Sherman Act, it [is] necessary to appraise the exclusionary power of the illegal patent claim in terms of the relevant market for the product involved."). "Without a definition of that market there is no way to measure [the defendant's] ability to lessen or destroy competition." Walker Process, 382 U.S. at 177. "Thus, the relevant market is defined as the area of effective

competition.” Ohio v. Am. Express Co., 138 S.Ct. 2274, 2285 (2018) (internal citations and quotations omitted). “That market is composed of products that have reasonable interchangeability for the purposes for which they are produced -- price, use and qualities considered,” AD/SAT, Div. of Skylight, Inc. v. Assoc. Press, 181 F.3d 216, 227 (2d. Cir. 1999) (quoting U.S. v. E.I. du Pont de Nemours & Co., 351 U.S. 377, 404 (1956)), and “correspond[s] to the commercial realities of the industry.” Brown Shoe Co. v. U.S., 370 U.S. 294, 336-37 (1962).

The claimant has the burden of defining the relevant market. See e.g., Queen City Pizza Inc. v. Domino’s Pizza, Inc., 124 F.3d 430, 436 (3d Cir. 1997); N. Am. Energy Sys., LLC v. New Eng. Energy Mgmt., 269 F.Supp.2d 12, 16 (D. Conn. 2002); Hack v. Yale President & Fellows of Yale College, 15 F.Supp.2d 183 (D. Conn. 1998). To survive a Rule 12(b)(6) motion, the claimant must allege a product market that “bear[s] a rational relation to the methodology courts prescribe to define a market for antitrust purposes -- analysis of the interchangeability of use or the cross-elasticity of demand, and it must be plausible.” Chapman v. N.Y. State Div. for Youth, 546 F.3d 230, 237 (2d Cir. 2008) (citing Todd v. Exxon Corp., 275 F. 3d 191, 200 (2d Cir. 2001)). “Where the [claimant] fails to define its proposed relevant market with reference to the rule of reasonable interchangeability and cross-elasticity of demand, or alleges a proposed relevant market that clearly does not encompass

all interchangeable substitute products even when all factual inferences are granted in [the claimant's] favor, the relevant market is legally insufficient and a motion to dismiss may be granted." Queen City Pizza, Inc., 124 F.3d at 436.

Nevertheless, "[b]ecause market definition is a deeply fact-intensive inquiry, courts hesitate to grant motions to dismiss for failure to plead a relevant product market." Todd, 275 F. 3d 199-200; see also Eastman Kodak Co. v. Image Tech. Servs., Inc., 505 U.S. 451, 482 (1992) (holding that "the proper market definition . . . can be determined only after a factual inquiry into the commercial realities faced by consumers"); Envirosource, Inc. v. Horsehead Res. Dev. Co., 95 Civ. 5106, 1997 U.S. Dist. LEXIS 12570, \*8 (S.D.N.Y. Aug. 21, 1997) (holding that "[e]xtensive analyses of reasonable interchangeability and cross-elasticity of demand . . . are not required at the pleading stage. . . . Market definition . . . is generally ultimately a question of fact which can be determined only after a factual inquiry into the commercial realities faced by consumers.") (internal citations and quotations omitted). "There is, however, no absolute rule against the dismissal of antitrust claims for failure to allege a relevant product market." Id. at 200. Courts have found dismissal to be appropriate where "no plausible explanation for the alleged market" is given, Creative Copier Servs. v. Xerox Corp., 344 F. Supp. 2d 858, 863 (D. Conn. 2004)), where the complaint provided

"no allegations regarding substitute products," Subsols., Inc. v. Doctor's Assos., Inc., 62 F.Supp.2d 616, 625 (D. Conn. 1999), and where the complaint failed to "include any facts regarding cross-elasticity of demand." Id.

In Count I, ZURU, Inc. alleges that the relevant product and geographic market is the market for "construction toys" in "the United States."<sup>1</sup> Countercl. ¶ 122. ZURU, Inc. defines construction toys as "collections of individual pieces with interlocking features that can be connected or taken apart in a number of ways." Id. The LEGO Group argues that this definition of the market "makes no rational or economic sense," as the relevant market should be "much broader" because "toys of various types are sold together by retailers and can be used interchangeably to achieve the same end: children's play." Mem. 6-8.

As discussed above, "the outer boundaries of a product market are determined by the reasonable interchangeability of use or the cross-elasticity of demand between the product itself and substitutes for it." Brown Shoe, 370 U.S. at 325. Count I alleges that "[c]onstruction toys are not reasonably interchangeable with other types of toys" and that "[m]ajor retailers and their customers would not substitute other types of toys in response to

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<sup>1</sup> As noted by ZURU, Inc. in its opposition, the LEGO Group "does not dispute that the relevant geographic market is the United States." Opp'n 5.

an increase in the price of construction toys.” Countercl. ¶ 123. In light of these allegations, the court finds unpersuasive the LEGO Group’s contention that ZURU, Inc.’s definition of construction toys is nebulous because, under that definition, the relevant product market includes products as distinct as wooden puzzles and foam play mats. Drawing inferences in a light most favorable to ZURU, Inc., these factual allegations are sufficient for purposes of a motion to dismiss to define a market that is a subset of the larger United States market for toys generally.

## **2. Failure to Allege an Antitrust Injury**

To support a claim for monopolization under § 2 of the Sherman Act, a claimant must also plead an antitrust injury, i.e., an “injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants’ acts unlawful.” Atl. Richfield Co. v. USA Petroleum Co., 495 U.S. 328, 334 (1990). “The injury should reflect the anticompetitive effect either of the violation or of anticompetitive acts made possible by the violation.” Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc., 429 U.S. 477, 489 (1977). “It should, in short, be the type of loss that the claimed violations . . . would be likely to cause.” Id.

The court agrees with ZURU, Inc. that Count I alleges facts sufficient to plead an antitrust injury. Count I claims:

Through LEGO's efforts to use invalid or unenforceable intellectual property rights to halt competition and wrongfully stifle ZURU's entry, and growth and sales in the U.S. construction toy market, LEGO is attempting to strengthen and improperly maintain its monopoly status, causing antitrust injury to ZURU, other U.S. construction toy competitors, retailers, and consumers alike. . . .

LEGO's actions have caused further competitive injury to ZURU by excluding ZURU's high quality, lower cost, innovative competing products from the market, resulting in lost past and future sales, as well as lost retail shelf space. ZURU has suffered other injury to its business and property . . . [including] the cost of defending infringement litigation, precluded entry, and premature exit from the U.S. construction toy market.

LEGO's actions have also caused harm to competition and consumers by . . . forcing consumers to purchase LEGO products at supracompetitive prices.

Countercl. ¶¶ 133-36. Intellectual property protections inherently confer the power to exclude others from the use of intellectual property. Thus, it is plausible that attempts to enforce fraudulently obtained intellectual property rights would result in the exclusion of products and competitors from the market, particularly through threats or prosecution of infringement suits, and also result in supracompetitive pricing. These injuries are quintessential injuries that the antitrust laws are intended to prevent. See e.g., Meijer, Inc. v. Ferring B.V., 585 F.3d 677 (2d Cir. 2009).

### 3. Failure to Allege Fraud with Particularity

Claims based on the enforcement of fraudulently obtained intellectual property rights, so-called Walker Process claims, may be the basis for an action under § 2 of the Sherman Act. See Walker Process, 382 U.S. at 174. Such claims are, as here, “typically brought as counterclaims in patent infringement suits” where “the plaintiff claims the defendant infringed his patent, and the defendant responds that the patent was invalid as fraudulently obtained, and that the plaintiff’s enforcement efforts violate Walker Process.” Meijer, 585 F.3d at 689–90. In order to prevail on a Walker Process claim, the claimant must show, “first, that the anti-trust defendant obtained the patent by knowing and willful fraud on the patent office and maintained and enforced the patent with knowledge of the fraudulent procurement; and second, all the other elements necessary to establish a Sherman Act monopolization claim.” TransWeb, LLC v. 3M Innovative Props. Co., 812 F.3d 1295, 1306 (Fed. Cir. 2016). The other elements necessary to establish a Sherman Act monopolization claim are “(1) that the [antitrust] defendant has engaged in predatory or anticompetitive conduct with (2) a specific intent to monopolize and (3) a dangerous probability of achieving monopoly power.” Spectrum Sports, 506 U.S. at 456. Courts have applied this analysis to intellectual property rights beyond the patent context. See e.g., Michael Anthony

Jewelers, Inc. v. Peacock Jewelry, Inc., 795 F. Supp. 639, (S.D.N.Y. 1992) (holding that “‘fraudulent procurement of a copyright by means of knowing and willful misrepresentations to the Copyright Office may strip a copyright holder of its exemption from the antitrust laws,’ as long as the other aspects of a monopolization or attempted monopolization claim are present.”) (citing Knickerbocker Toy Co., Inc. v. Winterbrook Corp., 554 F. Supp. 1309, 1321 (D.N.H. 1982)); Southern Snow Mfg. Co. v. Snowizard Holdings, Inc., No. 06-9170, 2013 U.S. Dist. LEXIS 22157 (E.D.L. 2013) (holding that “the attempted enforcement of a trademark registration may constitute an antitrust violation if [the claimants] establish the other elements of an antitrust violation under Section 2 of the Sherman Act”).

To adequately plead that an antitrust defendant obtained its intellectual property rights by knowing and willful fraud, a claimant must allege facts sufficient to establish:

(1) a representation of a material fact, (2) the falsity of that representation, (3) the intent to deceive or, at least, a state of mind so reckless as to the consequences that it is held to be the equivalent of intent (scienter), (4) a justifiable reliance upon the misrepresentation by the party deceived which induces him to act thereon, and (5) injury to the party deceived as a result of his reliance on the misrepresentation.”

Meijer, 585 F.3d at 692 (citing Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1069-70 (Fed. Cir. 1998));



see also Walker Process, 382 U.S. at 177 (holding that in order "to strip [a patentee] of its exemption from the antitrust laws," an antitrust claimant is required to prove that the patentee "obtained the patent by knowingly and willfully misrepresenting facts to the [USPTO]."). "A fraudulent omission, which can be just as reprehensible as a fraudulent misrepresentation, can be sufficient to support a finding of Walker Process fraud." Meijer, 585 F.3d at 692.

Moreover, a claimant "alleging fraud . . . must state with particularity the circumstances constituting fraud." Fed. R. Civ. P. 9(b). "Because claims of inequitable conduct sound in fraud," a claimant alleging inequitable conduct must also "satisfy the heightened pleading requirements of Fed. R. Civ. P. 9(b)." Exergen Corp. v. Wal-Mart Stores, Inc., 575 F.3d 1312, 1326 (Fed. Cir. 2009). Thus, a claimant alleging fraud and/or inequitable conduct, as here, must identify "the specific who, what, when, where, and how of the material misrepresentation or omission committed before the [USPTO]." Id. at 1327.

Federal Rule of Civil Procedure 9(b) provides that "malice, intent, knowledge, and other condition of mind of a person may be averred generally." But this "relaxation of Rule 9(b)'s specificity requirement for scienter must not be mistaken for license to base claims of fraud on speculation and conclusory allegations." Shields v. Citytrust Bancorp., 25 F.3d 1124, 1128

(2d Cir. 1994). A claimant must allege facts "that give rise to a strong inference of fraudulent intent." Id. The claimant must include "sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind," i.e., that the party "(1) knew of the withheld material information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented this information with a specific intent to deceive the [USPTO]." Exergen Corp., 575 F.3d at 1328-29.

As noted above, Count I alleges that the LEGO Group "fraudulently and inequitably obtained patent, trademark and copyright protections, including through material misrepresentations and/or fraudulent nondisclosures to the [USPTO], and then knowingly and improperly asserted such invalid and/or unenforceable intellectual property rights against ZURU Inc." in the instant litigation. Countercl. ¶ 128. It further alleges that the LEGO Group "knew or should have known that its intellectual property rights were invalid and/or unenforceable against ZURU under these circumstances," and that the current litigation was therefore undertaken "in bad faith" and constitutes "an impermissible exclusionary act in violation of the antitrust laws." Id.

**a. Trademarks**

With respect to the Stud Trademarks, Count I alleges:

LEGO inequitably withheld material information regarding the stud functional elements. Instead, LEGO led the USPTO to believe that LEGO was not seeking protection for the cylindrical stud functional element, but was seeking protection only for its use as an element of product packaging -contrary to its assertion against ZURU. When the USPTO refused the Stud Trademarks for functionality, LEGO claimed that the objection 'may be based on a slight misunderstanding as to the nature of the specimen' in that the 'cylindrical surface features on the lid in the specimen have no functional purpose whatsoever.' However, studs on lids are functional, including in the sense that they inform the consumer of the product inside. The USPTO relied on the erroneous information provided by LEGO in assessing the validity of the trademarks. LEGO knew that the trademarks were fraudulently obtained and maintained because LEGO knew that it could not legitimately assert trademark rights in an essential functional cylindrical stud element. Absent the fraud, the LEGO trademarks would not have been granted[.]

Countercl. ¶ 129. With respect to the Minifigure Trademark, Count I alleges:

In order to obtain the LEGO Minifigure Trademark, LEGO withheld material information regarding the functional elements, including studs and hands. As discussed above, LEGO inequitably withheld material information from the USPTO in the prosecution of its Minifigure Trademark, including that it had claimed functional stud elements in its '733 Patent, and had admitted functionality of stud on top of the head, the hand grips, as well as the torso, legs, and the feet in its '327 Trademark application. The USPTO relied on the erroneous and incomplete information provided by LEGO in assessing the validity of the trademarks. LEGO knew that the trademark registrations (as well as its copyright registrations in its figurines) were fraudulently obtained and maintained because LEGO and its counsel knew that LEGO could not legitimately assert exclusive rights in essentially functional elements. Absent the fraud, the LEGO trademarks would not have been granted[.]

Id. at ¶ 130.

The court agrees with the LEGO Group that these factual allegations are insufficient to plead fraudulent intent. To adequately plead a Walker Process claim, the claimant must allege facts that show, inter alia, that the antitrust defendant made a representation of a material fact and that representation was false. See Meijer, 585 F.3d at 692. Although Count I asserts, with respect to both the Stud Trademarks and the Minifigure Trademark, that material information was withheld, ZURU, Inc. fails to allege facts that could establish materiality.

"The fact that a product contains some functional elements," which is all that Count I alleges with respect to both the Stud Trademarks and the Minifigure Trademark, "does not . . . preclude Lanham Act protection." I.P. Lund Trading Aps. & Kroin v. Kohler Co., 163 F.3d 27, 37 (1<sup>st</sup> Cir. 1998). Under the Lanham Act, "[n]o trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration . . . on account of its nature unless it . . . comprises any matter, that as a whole, is functional." 15 U.S.C. 1052(e)(5). "[T]he critical functionality inquiry is not whether each individual component of the trade dress is functional, but rather whether the trade dress as a whole is functional." Tools USA v. Equip. Co. v. Champ Frame Straightening Equip. Inc., 87

F.3d 654, 658 (4th Cir. 1996). Accordingly, “a particular arbitrary combination of functional features, the combination of which is not itself functional, properly enjoys protection.” I.P. Lund Trading, 163 F.3d at 37 (citing Taco Cabana Int’l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 119 (5th Cir. 1991), aff’d, 505 U.S. 763 (1992)). See also LeSportsac, Inc. v. K Mart Corp., 754 F.2d 71, 76 (2d Cir. 1985) (“[B]y breaking . . . trade dress into its individual elements and then attacking certain of those elements as functional, [the claimant] misconceives the scope of the appropriate inquiry.”).

Count I alleges that the LEGO Group withheld, with respect to the Stud Trademarks, information regarding “stud functional elements,” and, with respect to the Minifigure Trademark, information regarding “functional elements, including studs and hands.” Countercl. ¶¶ 129–30. But Count I does not allege with respect to either product that the trade dress as a whole is functional, which is what is required to make the trade dress ineligible for protection. As in LeSportsac, the claimant here misconstrues the scope of the appropriate inquiry. Information pertaining solely to individual elements is not material.<sup>2</sup> Count

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<sup>2</sup> Because the court finds that Count I fails to establish the materiality of the alleged omissions, it need not address the question of whether ZURU, Inc. adequately pled that the LEGO Group admitted the functionality of the particular elements in its patent and trademark applications. See id. at ¶¶ 31, 34, 130.

I also alleges that the LEGO Group knew it could not assert trademark rights in "an essential functional cylindrical stud element" and "essentially functional elements," id., but it is apparent that there is no legal basis for these allegations.

Nor has ZURU, Inc. alleged facts that could show that the LEGO Group engaged in inequitable conduct by failing to disclose any contradictory positions it or the USPTO has previously taken with respect to allegedly functional elements. In Bart Schwartz International Textiles, Ltd. v. FTC, 289 F.2d 665, 669 (C.C.P.A. 1961), the court explained:

Any duty owed by an applicant for trademark registration must arise out of the statutory requirements of the Lanham Act, particularly those found in Section 1(a)(1). This section requires merely that an applicant for registration verify a statement that 'no other person, firm, corporation, or association, to the best of his knowledge and belief, has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as might be calculated to deceive.'

The obligation which the Lanham Act imposes on an applicant is that he will not make knowingly inaccurate or knowingly misleading statements in the verified declaration forming a part of the application for registration.

The mere withholding of information . . . is not such a fraudulent withholding of information as to warrant cancellation of the mark.

Id. Thus, to the extent that ZURU, Inc.'s claims of inequitable conduct are premised on the LEGO Group's failure to disclose the alleged functionality of elements of the trade dress, it fails

to state a claim upon which relief can be granted under this theory too.

**b. Copyrights**

Count I alleges that the LEGO Group committed fraud on the Copyright Office in the course of procuring its Minifigure Copyrights and Friends Copyrights. ZURU, Inc. claims that these copyrights were fraudulently obtained for three reasons. First, it alleges that the LEGO Group "characterized" the Minifigure figurines and the Friends figurines "as sculptures (non-functional works of art), which may have led the Copyright Office to analyze them under a different standard from construction toys with many functional elements." Countercl. ¶¶ 60, 75. According to ZURU, Inc., "[i]f these copyright applications had been properly characterized as construction toys rather than as works of art, many functional aspects of the toys may not have been accepted by the Copyright Office as copyrightable, whether LEGO intended this outcome or not." Id. As a result, these "[c]opyrights . . . may therefore be invalid." Id.

Count I does not allege factual content that allows the court to draw a reasonable inference that the LEGO Group engaged in fraud by characterizing its figurines as "sculptures." The

LEGO Group's Certificates of Registration<sup>3</sup> expressly denote the nature of the products as "toy sculpture[s]," not simply "sculptures," and the deposit materials show the toy sculptures in the context in which they are to be used -- including a reference in packaging to "From 6 years." Thus, the court agrees with the LEGO Group that "[i]t is not plausible to allege the LEGO Group hid that the copyrights covered toys when it used the term 'toy' on the application and the deposit materials make clear that the product is a toy--even shown in use." Mem. 9. Even when drawing inferences in the light most favorable to the nonmoving party, the allegation that the LEGO Group mischaracterized its products as "sculptures (non-functional works of art)" to obscure the fact that the products were and should be analyzed as "toys" is itself a mischaracterization.

Second, ZURU, Inc. alleges that the LEGO Group failed to disclose several functional aspects of its Minifigure figurines and Friends figurines to the Copyright Office and that, if the

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<sup>3</sup> As noted above, the court may consider "matters of which judicial notice may be taken" in its review of a motion to dismiss for failure to state a claim. Samuels v. Air Transport Local 504, 992 F.2d 12, 15 (2d Cir. 1993). A district court is "entitled to take judicial notice of . . . federal copyright registrations, as published in the Copyright Office's registry." Island Software and Comput. Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 261 (2d Cir. 2005). Accordingly, the court takes judicial notice of the LEGO Group's federal copyright registrations, docketed here as ECF No. 98-3, and considers them in its assessment of the sufficiency of Count I.



functionality had been disclosed, that may have resulted in the Copyright Office's rejection of the copyright applications in question. See Countercl. ¶¶ 60, 75. The Counterclaim alleges:

Many of the aspects of the LEGO Minifigure figurines are functional, and are therefore not proper material for copyright . . . protection. LEGO's failure to disclose this functionality to the . . . Copyright Office[] is grounds for full or partial invalidation of the copyrights[.] LEGO failed to inform the USPTO of previous inconsistent positions taken by LEGO . . . in relation to functionality and characteristics of its Minifigures. LEGO instead told the USPTO what was necessary in each instance to obtain the desired protection at the time, regardless of contradictions or inconsistencies as compared with its previous filings.

Id. at ¶¶ 61-62. See also id. at ¶ 76. The court agrees with the LEGO Group that these factual allegations are insufficient to establish an intent to commit fraud on the Copyright Office.

As discussed above with respect to the Stud Trademarks and Minifigure Trademark, a claimant pursuing a Walker Process claim must allege facts that establish the materiality of the alleged omission or misrepresentation. See Meijer, 585 F.3d at 692. Count I fails to allege facts that establish the requisite materiality because the "mere fact that some elements [of a product] are functional," which is all that Count I alleges with respect to the Minifigure Copyrights and the Friends Copyrights, "does not render the entire sculptural work uncopyrightable." LEGO A/S v. Best-Lock Constr. Toys, Inc., 404 F.Supp.3d 583, 603 (D. Conn. 2019); see also Kurt S. Adler, Inc. v. World Bazaars,

897 F.Supp. 92, 95-96 (S.D.N.Y. 1995) (finding defendant had infringed plaintiff's valid copyright, despite functional aspects of the protected work); Klauber Bros., Inc. v. Target Corp., No. 14 Civ. 2125, 2015 WL 4393091, \*5 (S.D.N.Y. July 16, 2015) (rejecting defendants' argument that plaintiff's copyright was unenforceable because plaintiff failed to disclose to the Copyright Office, inter alia, that the scalloped edges of a copyrighted design were "functional" because this fact did not establish that the scallop patterns were wholly unprotectable). Because the factual allegations in Count I merely establish that the Minifigure figurines and Friends figurines have functional aspects, as opposed to the entire work being unprotectable, the information alleged to have been withheld is not material.

Nor does the Counterclaim allege that the copyright application sought information the LEGO Group failed to disclose. The allegations in Count I merely show an intent to disclose only the information that was necessary to deliver a complete copyright application. A failure to disclose information, without more, is insufficient to show an intent to deceive.

Third, ZURU, Inc. alleges that the LEGO Group "failed to disclose that other government agencies and courts had taken positions contradictory to those asserted by LEGO" in their applications. Countercl. ¶ 62. According to ZURU, Inc., this is

"grounds for full or partial invalidation of the copyrights."

Id. However, as discussed above, allegations such as this concerning a mere failure to disclose, without more, are insufficient to plead an intent to deceive.

### **c. Patents**

With respect to the LEGO Group's procurement of the Asserted Design Patents<sup>4</sup>, Count I alleges that:

LEGO knowingly and intentionally concealed evidence of its own prior sales of similar or identical products more than one year before the applications. LEGO knew of its prior sales yet inequitably and intentionally concealed that information from the USPTO. Absent this concealment, LEGO's design patents would not have been granted.

Countercl. ¶ 131; see also id. at ¶¶ 109, 112, 115. The court agrees with the LEGO Group that these factual allegations, taken as true for purposes of the instant motion, are insufficient to establish fraud or inequitable conduct. Stripped of its conclusory allegations, the counterclaim states that the LEGO Group failed to disclose products previously sold by it in the applications it submitted to the USPTO. However, "a mere failure to cite [a piece of prior art] to the [USPTO] will not suffice" to support a finding of fraud. Nobelpharma, 141 F.3d at 1071. "[F]or an omission such as a failure to cite a piece of prior

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<sup>4</sup> As noted by the LEGO Group, ZURU, Inc. has not pled that the '053 Patent was fraudulently obtained. See Mem 16. Therefore, ZURU, Inc.'s claim as to the '053 Patent is dismissed for failure to state a claim for this reason.

art to support a finding of Walker Process fraud, the withholding of the reference must show evidence of fraudulent intent." Id.; see also In re DDAVP Direct Purchaser Antitrust Litig., 585 F.3d 677, 693 (2d Cir. 2009) ("While a false or clearly misleading statement can permit an inference of deceptive intent, a misrepresentation in the form of an omission is more likely to be innocent and cannot support Walker Process fraud without 'evidence of intent separable from the simple fact of the omission.'" (quoting Dippin' Dots, Inc. v. Mosey, 476 F.3d 1337, 1347 (Fed. Cir. 2007))). The counterclaim includes no factual allegations separable from the simple fact of the omission that could support a reasonable inference of fraudulent intent on the part of the LEGO Group. Thus, the counterclaim is being dismissed with respect to the Asserted Design Patents for failure to state a claim.<sup>5</sup>

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<sup>5</sup> ZURU, Inc. argues that the "facts regarding LEGO's subjective intent in relation to its Design Patent applications are entirely within LEGO's possession, not ZURU's." Opp'n 15. It contends that its "allegations regarding LEGO's subjective intent, properly made 'upon information and belief,' are sufficient[.]" Id. "Where pleading is permitted on information and belief, a complaint must adduce specific facts supporting a strong inference of fraud or it will not satisfy even a relaxed pleading standard." Wexner v. First Manhattan Co., 902 F.2d 169, 172 (2d Cir. 1990). However, Count I includes no specific facts that would support a strong inference of fraudulent conduct on the part of the LEGO Group in obtaining its patents.

**B. Count II: Intentional Interference with Prospective  
Economic Advantage**

With respect to this count, ZURU, Inc. alleges:

ZURU Inc. has entered into economic relationships with at least one U.S. retail customer, whereby that customer placed orders for ZURU's products [and wishes] to market those products to customers. . . .

LEGO is aware of the existence of ZURU Inc.'s customer relationships, and is aware ZURU seeks to deliver construction toy products to its customers. LEGO engaged in wrongful conduct designed to interfere with these relationships, without justification, by seeking to enforce invalid trademarks, copyrights, and patents with the intent of stopping ZURU from selling its products to customers and monopolizing the U.S. market for construction toys, in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

LEGO's actions have damaged the relationships between ZURU and its customers, by interfering with ZURU's ability to fulfill orders from those customers.

ZURU has been harmed by LEGO's intentional interference with ZURU's business relationships with its customers.

Id. at ¶¶ 138-41.

Claims for "[intentional] interference with another's business practices and opportunities has long been recognized in Connecticut." Am. Diamond Exch., Inc. v. Alpert, 101 Conn. App. 83, 89 (2007). To prove intentional interference, a claimant must show "(1) a business relationship between the plaintiff and another party; (2) the defendant's intentional interference with the business relationship while knowing of the relationship; and (3) as a result of the interference, the plaintiff suffers

actual loss.'" Hi-Ho Tower, Inc. v. Com-Tronics, Inc., 255 Conn. 20, 27 (2000).

The court agrees with the LEGO Group that ZURU, Inc.'s claim of intentional interference is predicated solely on the alleged antitrust harm pled in Count I and consequently fails to state a claim upon which relief can be granted. ZURU, Inc. contends that the LEGO Group reads "Count II too narrowly" because "LEGO's tortious interference is separate and apart from LEGO's broader campaign to monopolize the construction toy market in violation of the Sherman Act." Opp'n 21, 23. However, the factual assertions that ZURU, Inc. relies on in its opposition to support this contention are not alleged in the Counterclaim, and thus not properly considered by the court in connection with the instant motion. See e.g., Teracciano v. McGarrity, 16 Civ. 1324 (LAP), 2017 U.S. Dist. LEXIS 79722, \*8 (S.D.N.Y. May 24, 2017); Branch v. Tower Air, Inc., 94 Civ. 6625 (JFK), 1995 U.S. Dist. LEXIS 16390, \*5 (S.D.N.Y. Nov. 3, 1995) (stating that "memoranda and supporting affidavits in opposition to a motion to dismiss cannot be used to cure a defective complaint."). Consequently, the only factual allegations as to intent to engage in wrongful conduct are any incorporated by reference to the LEGO Group acting in violation of Section 2 of the Sherman Act. As discussed above, ZURU, Inc. has failed to plead facts sufficient to state a claim under 15 U.S.C. § 2.

**C. Count XV: Violation of the Connecticut Unfair Trade Practices Act (CUTPA)**

With respect to this count, ZURU Inc. alleges:

By engaging in the acts alleged above, including by monopolizing the U.S. market for construction toys, LEGO has willfully and maliciously engaged in conduct offensive to public policy, governing statutes, including Section 2 of the Sherman Act, 15 U.S.C. § 2, common law principles, and established concepts of fairness. . . .

LEGO's conduct has caused and will continue to cause substantial injury to ZURU and to consumers. . . .

ZURU has suffered an ascertainable loss of money or property as a result of LEGO's actions.

Countercl. ¶¶ 227-31.

In assessing whether a practice violates CUTPA, Connecticut courts will consider "(1) whether the practice . . . offends public policy as it has been established by statutes, the common law, or otherwise," "(2) whether it is immoral, unethical, oppressive, or unscrupulous," and (3) whether it causes substantial injury to consumers (or competitors or other businessmen)." Gaynor v. Hi-Tech Homes, 149 Conn. App. 267, 275 (2014). As noted by ZURU, Inc., "violations of either the Sherman Act or the Clayton Act can support a claim of unfair competition under CUTPA," Subsols., Inc. v. Doctor's Assocs., Inc., 62 F.Supp.2d 616, 629 (D. Conn. 1999), as can claims of tortious interference, Landmark Inv. Group, LLC v. CALCO Constr. and Dev. Co., 318 Conn. 847, 881 (2015).

The court agrees with ZURU Inc. that this count is predicated on both the antitrust claim set forth in Count I and the tortious interference claim set forth in Count II. However, because neither of those counts states a claim upon which relief can be granted, Count XV must also be dismissed.

**IV. CONCLUSION**

For the reasons set forth above, Counts I, II, and XV of ZURU, Inc.'s Answer and Counterclaims (ECF No. 94) are hereby DISMISSED.

It is so ordered.

Dated this 22<sup>nd</sup> day of April 2020, at Hartford, Connecticut.

/s/ AWT\_\_\_\_\_  
Alvin W. Thompson  
United States District Judge



# **Exhibit S**

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF CONNECTICUT

LEGO A/S, LEGO SYSTEMS, Inc.,  
and LEGO Juris A/S,

Civil No. 3:18-CV-02045-AWT

Plaintiffs,

v.

ZURU Inc.,

Defendant.

FEBRUARY 19, 2019

**DEFENDANT ZURU INC.'S CLOSING ARGUMENT**  
**RE: HEARING ON PRELIMINARY INJUNCTION**

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## **INTRODUCTION**<sup>1</sup>

After two days of testimony and nearly 100 pages of briefing, Plaintiffs still have not met their heavy burden of demonstrating they are entitled to the extraordinary and drastic relief of a preliminary injunction. Instead of focusing on the glaring deficiencies in their case—such as the complete lack of jurisdiction and the fact that Plaintiffs have not shown they will be irreparably harmed—Plaintiffs chose to focus on their expert witness who merely provided conclusory opinions on the merits of the claims. The Court should recognize Plaintiffs’ shortcomings for what they are—an absence of a legitimate reason for a preliminary injunction.

As an initial matter, the Court does not have personal jurisdiction over ZURU Inc. and therefore cannot enter a preliminary injunction against ZURU Inc. Nothing at the hearing has changed that fact. Plaintiffs conceded during briefing that this Court does not have general jurisdiction over ZURU Inc., and they have come up woefully short of presenting any showing of specific jurisdiction over ZURU Inc. Plaintiffs had an opportunity to present evidence and elicit testimony regarding any conduct by ZURU Inc. (or any ZURU entity for that matter) directed towards Connecticut. Plaintiffs failed to do so.

In their briefing, Plaintiffs have argued that ZURU Inc. is subject to personal jurisdiction via the acts of its subsidiary, ZURU, LLC, ignoring ZURU, LLC’s separate and distinct legal status. Plaintiffs did not present evidence or elicit testimony establishing the fact that ZURU Inc. directed ZURU, LLC to do anything as its alleged agent. And even if Plaintiffs had shown that ZURU, LLC acted as ZURU Inc.’s agent, Plaintiffs did not present evidence or elicit testimony showing that ZURU, LLC directed any conduct towards Connecticut.

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<sup>1</sup> ZURU Inc. reserves all rights to continue to challenge personal jurisdiction and venue and explicitly maintains its objections to personal jurisdiction and venue.

Plaintiffs have also argued that ZURU Inc. is subject to personal jurisdiction via the websites and the sale of products in stores. However, the testimony and evidence clearly showed that the websites are passive and that customers in Connecticut could **not** buy products directly from the websites. Further, Plaintiffs have only shown that the MAX Build More and Mayka Toy Block Tape<sup>2</sup> construction toy lines (the “Allegedly Infringing Products”) were generally available for sale throughout the United States and were not specifically targeted towards Connecticut, defeating Plaintiffs’ stream of commerce theory. In the end, Plaintiffs failed to show that even a single Connecticut consumer purchased any of the accused products.

The most that Plaintiffs could muster were the facts that Ms. Mowbray attended a toy fair **in New York** (which is obviously not Connecticut) and made a media endorsement of a third party. While that third party was allegedly located in Connecticut (a fact Ms. Mowbray did not know until being told at the hearing), Ms. Mowbray’s endorsement was made years before this case was filed, and it has nothing to do with the products or claims at issue in this case. Plaintiffs are clearly grasping at straws.

The reality is that Plaintiffs are engaging in litigation tactics to avoid having this case transferred to California. Plaintiffs have been on notice that the ZURU entity responsible for the products at issue in this case is ZURU, LLC (a fact Plaintiffs use when it is convenient for them)

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<sup>2</sup> It is uncontested that Plaintiffs’ claims and requested preliminary injunction on the Mayka Toy Block Tape product apply **only** to the packaging and not the product itself. Further, because Plaintiffs’ trademark is functional, Plaintiffs cannot maintain claims related to the alleged use of the trademarks on packaging because the packaging depicts the product in the package. *See, e.g., Ga.-Pac. Consumer Prods. LP v. Kimberly-Clark Corp.*, 647 F.3d 723, 731 (7th Cir. 2011) (holding that “if a product is functional and thus unregistrable...then the accurate depiction of that [product] is also unregistrable”) (quoting *In re CNS, Inc.*, No. 76250116, 2005 WL 3175107, at \*6 n.11 (T.T.A.B. Nov. 18, 2005)). Additionally, at the hearing, Plaintiffs referred to a case filed in Texas involving the Mayka Toy Block Tape product. However, that lawsuit is irrelevant to this case, especially considering Plaintiffs are claiming that only the packaging on the Mayka Toy Block Tape product infringes Plaintiffs’ rights.

and that ZURU, LLC is based in California. However, Plaintiffs have purposefully not added ZURU, LLC to this case because it means the case should be transferred to California under established law.

Therein, Plaintiffs improperly attempt to have it both ways: out of one side of their mouth they contend that ZURU, LLC is an agent or alter ego of ZURU Inc., and therefore ZURU, LLC is crucial to supporting Plaintiffs' personal jurisdiction argument. Out of the other side of their mouth, Plaintiffs contend that ZURU, LLC is an irrelevant nonparty whose place of business does not affect venue. These positions are inconsistent on their face. If the Court accepts Plaintiffs' claim that ZURU, LLC is an alter ego of ZURU Inc., the governing law requires that the case must be dismissed for improper venue. *See* 28 U.S.C. § 1400(b) ("Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."); *see also TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1517 (2017); *In re Cray Inc.*, 871 F.3d 1355, 1361-64 (Fed. Cir. 2017). If, however, the Court rejects Plaintiffs' attempt to connect ZURU Inc. with ZURU, LLC, the case must be dismissed for lack of personal jurisdiction and failure to join an indispensable party (*i.e.*, ZURU, LLC). Either way, this case should be dismissed or alternatively transferred to California. The Court should no longer condone Plaintiffs' tactics.

Second, Plaintiffs were required to make a **clear showing**, supported by **evidence**, that they are likely to suffer irreparable harm if a preliminary injunction is not entered. Plaintiffs failed to meet their heavy burden. Plaintiffs have shown no harm, let alone irreparable harm, that would result if the Allegedly Infringing Products were permitted to be sold. That is especially true considering both parties agree that the MAX Build More products generally target

a different consumer base (economically disadvantaged consumers) than that of Plaintiffs' products. In reality, the harm in the form of legitimate competition here is a mere pinprick when measured against the enormity of Plaintiffs' business. And even if ZURU Inc. is found to have infringed at trial (ZURU Inc. did not infringe), Plaintiffs can certainly and very obviously be made whole by monetary damages, which means that an injunction is not proper here. *Moore v. Consol. Edison Co. of N.Y.*, 409 F.3d 506, 510 (2d Cir. 2005) ("Where there is an adequate remedy at law, such as an award of money damages, injunctions are unavailable except in extraordinary circumstances.").

On the other hand, ZURU Inc. has shown that significant harm would continue to it if a preliminary injunction is entered. ZURU has already lost millions of dollars because of the entry of the temporary restraining order ("TRO") and stands to lose over \$10 million in 2019 if a preliminary injunction is entered. Further, the public will be harmed by a preliminary injunction. That is because the elimination of the high-quality, yet affordable MAX Build More products will prevent economically disadvantaged parents from introducing their children to educational construction toys.

Third, Plaintiffs were required to make a **clear showing** of either the likelihood of success on the merits or sufficiently serious questions going to the merits such that the balance of hardships tips decidedly toward them. However, Plaintiffs failed to overcome the fundamental flaws with the merits of their claims. Plaintiffs still have not sufficiently identified protectible elements of expression in their construction toy figurines that have been allegedly infringed by the MAX Build More action figures to maintain their copyright claims. And Plaintiffs still have not overcome the fact that their trademark is weak, at best, and cannot conceivably support their trademark infringement claims. Plaintiffs have likewise failed to show that their patents are

valid, and they have not shown that ZURU Inc. made any sales in the U.S., which is required before they can bring any patent infringement claim. *See* 35 U.S.C. § 271(a); *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 831 F.3d 1369 (Fed. Cir. 2016). For these reasons, which are discussed below, the Court should deny Plaintiffs' unsupported request for a preliminary injunction.

## ARGUMENT

### **I. Plaintiffs Did Not Make a Prima Facie Showing of Personal Jurisdiction.**

The Court cannot enter a preliminary injunction against ZURU Inc., and the Complaint should also be dismissed, because Plaintiffs have failed to show that the Court has personal jurisdiction over ZURU Inc. As mentioned, Plaintiffs have conceded that the Court does not have general jurisdiction over ZURU Inc. Therefore, Plaintiffs were required to show that ZURU Inc. **purposefully directed** conduct toward Connecticut for the Court to exercise specific jurisdiction over ZURU Inc. *Asahi Metal Indus. Co. v. Superior Court of California, Solano Cty.*, 480 U.S. 102, 112 (1987) (“The ‘substantial connection,’ between the defendant and the forum State necessary for a finding of minimum contacts must come about by *an action of the defendant purposefully directed toward the forum State.*”) (citations omitted; emphasis in original). Plaintiffs have come nowhere close to making that showing for several reasons.

First, ZURU Inc. clearly does not have any of the classic hallmarks of purposefully directing activity toward the forum state. Anna Mowbray, the Chief Operating Officer of ZURU Inc., confirmed that ZURU Inc. has **no** office, warehouse, leases, bank accounts, or employees in the State of Connecticut. Preliminary Injunction Hearing Transcript (“Tr”) I, 32:7-25; 33:1-3. Nor has ZURU Inc. done business here. Tr. I, 31:24-25; 32:1-3. Indeed, Ms. Mowbray stated that ZURU Inc. does not make any sales in the state. *Id.* And David Buxbaum, LEGO's Vice

President of Amazon Marketing and Commerce, confirmed at the hearing that he was unaware of any such contacts that ZURU Inc. may have with Connecticut. Tr. I, 10:12-25; 11:1-24.

Second, Plaintiffs have argued that ZURU Inc. is subject to personal jurisdiction via the acts of its alleged agent, ZURU, LLC. As detailed herein, Plaintiffs chose not to include ZURU, LLC in this case to avoid problems with venue (and to avoid having the case transferred to California). If Plaintiffs had included ZURU, LLC as a defendant, it would have been necessary for them to file this action in California. But having chosen not to include ZURU, LLC as a party, Plaintiffs cannot now rely on ZURU, LLC for jurisdiction purposes.

While Plaintiffs have baldly claimed that ZURU, LLC is an agent for ZURU Inc., they provided **no evidence** in that regard at the hearing. Further, Plaintiffs provided **no evidence** to support their argument that ZURU Inc. directed ZURU, LLC or any other entity to take action in Connecticut.<sup>3</sup> Accordingly, Plaintiffs have failed to prove that the actions of other entities are attributable to ZURU Inc.<sup>4</sup>

Third, Plaintiffs had argued that ZURU Inc. is subject to personal jurisdiction based on the websites and the sale of products in stores. However, even if ZURU, LLC's actions were

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<sup>3</sup> “[I]t is a fundamental principle of corporate law that the parent corporation and its subsidiary are treated as separate and distinct legal persons even though the parent owns all the shares in the subsidiary and the two enterprises have identical directors and officers. Such control, after all, is no more than a normal consequence of controlling share ownership. Ordinarily the corporate veil is pierced only under exceptional circumstances, for example, where the corporation is a mere shell, serving no legitimate purpose, and used primarily as an intermediary to perpetuate fraud or promote injustice.” *Batoh v. McNeil-PPC, Inc.*, 167 F. Supp. 3d 296, 322–23 (D. Conn. 2016) (citations omitted); *see also Holland Am. Line Inc. v. Wartsila N. Am., Inc.*, 485 F.3d 450, 459 (9th Cir. 2007) (“It is well established that, as a general rule, where a parent and a subsidiary are separate and distinct corporate entities, the presence of one ... may not be attributed to the other.”); *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 781 n. 13 (1984) (same).

<sup>4</sup> As mentioned by ZURU Inc.'s counsel at the hearing, Plaintiffs first raised an argument in their reply brief that ZURU Inc. is liable for inducement, but a claim for inducement does **not** appear in the Complaint. Tr. I, 106:16-107:11.

attributable to ZURU Inc. (they are not), there would still not be minimum contacts based on either the websites or the stream of commerce theories, as argued by Plaintiffs.

“Absent evidence that ‘any [forum] residents have ever actually used [a defendant’s] website to *transact business*,’” a website that “is not directed at customers in the [forum], but instead is available to all customers throughout the country” cannot support a finding of specific jurisdiction. *NexLearn, LLC v. Allen Interactions, Inc.*, 859 F.3d 1371, 1378 (Fed. Cir. 2017) (emphasis added); *see also Best Van Lines, Inc. v. Walker*, 490 F.3d 239, 252 (2d Cir. 2007) (holding that the key inquiry is not general content of the website but whether defendant actually transacted business in the forum).

The undisputed testimony at the hearing showed that consumers could not purchase the Allegedly Infringing Products or otherwise transact business with ZURU Inc. via the websites. Tr. I, 56:25-57:3. In fact, Plaintiffs presented **no evidence** that any **Connecticut** resident has ever purchased the Allegedly Infringing Products, whether via any website or physical retailer.<sup>5</sup>

Additionally, Plaintiffs presented **no evidence** to support their stream of commerce theory. Again, “placement of a product into the stream of commerce, without more, is not an act of the defendant purposefully directed toward the forum state.” *In re Perrier Bottled Water Litigation*, 754 F. Supp. 264, 267-268 (D. Conn. 1990). While conceding that premise, Plaintiffs have argued that an exclusive sales agreement can establish minimum contacts. However, Plaintiffs presented **no evidence** at the hearing to support their exclusive sales agreement theory. That is most likely because Plaintiffs have admitted in their **own** Verified Complaint that the

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<sup>5</sup> In fact, Mr. Buxbaum (Plaintiffs’ only fact witness) confirmed on cross-examination that he never actually visited the websites but only looked at print-outs of the websites provided by his attorneys. Tr. I, 11:25; 12:1-3. Accordingly, Plaintiffs provided no witness with personal knowledge claiming that the Allegedly Infringing Products could be purchased on the websites.

Allegedly Infringing Products “are sold by *several* large chain retailers.” (Dkt. 1 at ¶¶ 26, 40-41 [emphasis added].)<sup>6</sup>

Fourth, Plaintiffs’ evidence and arguments presented at the hearing used to purportedly show personal jurisdiction were nothing more than smoke and mirrors. At the hearing, Plaintiffs presented examples of ZURU’s interactions with consumers (via social media, product giveaways, advertisements, and trade show appearances). However, Plaintiffs did **not** show that these interactions with consumers were directed specifically at **Connecticut** or that any **Connecticut** resident entered into any business transaction with any ZURU entity. Plaintiffs apparently believe that these interactions with consumers throughout the world, including the United States, support personal jurisdiction over ZURU Inc. in Connecticut. They do not.

Similarly, at the hearing, Plaintiffs went to great lengths to show the Court that Ms. Mowbray attended a toy fair **in New York** promoting the Allegedly Infringing Products. Tr. I, 73:8-25; 74:1-25; 75:1-15. Plaintiffs appear to assert that Ms. Mowbray’s conduct subjects ZURU Inc. to personal jurisdiction in this Court. However, New York is obviously not Connecticut, and so this conduct cannot support a showing of conduct by ZURU Inc. purposefully directed towards Connecticut.

Plaintiffs also questioned Ms. Mowbray about a personal endorsement she made years ago regarding a company allegedly located in Connecticut. Tr. I, 99:2-25; 100:1-23. In addition

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<sup>6</sup> Further, it is irrelevant to what extent a ZURU entity may have cooperated with the retailers, if at all, for purposes of personal jurisdiction. While the Allegedly Infringing Products may have eventually been sold in the U.S., (1) Plaintiffs have **no evidence** that ZURU Inc. was the ZURU entity who cooperated with retailers, (2) Plaintiffs have **no evidence** that any retailers have their headquartered in Connecticut (for example, Walmart is not based in Connecticut but rather Arkansas), (3) ZURU (and more specifically ZURU, LLC) released possession and ownership of the products FOB China, and (4) Plaintiffs have presented **no evidence** that any ZURU entity or the retailers ever targeted Connecticut as opposed to a general U.S. stream of commerce.



to the fact that Ms. Mowbray had no knowledge that the company was located in Connecticut, Tr. I, 99:2-6, Plaintiffs failed to show any connection between that endorsement and the claims in this case, which is required in order to show specific jurisdiction. In fact, Ms. Mowbray's endorsement of the company was years before the Allegedly Infringing Products were even created, and the endorsement has absolutely **nothing** to do with the Allegedly Infringing Products or with Plaintiffs. Tr. I, 117:3-16.

Overall, it is insufficient that a ZURU entity merely interacted with consumers and had products for sale in the United States (even assuming it was ZURU Inc.). To exercise personal jurisdiction over ZURU Inc. in this Court, there must be a prima facie showing that ZURU Inc. directed activity specifically to Connecticut. Plaintiffs made **no** such showing.

Lastly, the testimony and evidence clearly show that ZURU, LLC is the ZURU entity that sold the Allegedly Infringing Products (with all sales being FOB China). Tr. I, 47:8-13; 58:11-21. That means that all of the Allegedly Infringing Products were manufactured, shipped, and delivered to buyers overseas where those buyers took possession and ownership of them. It is uncontested that ZURU, LLC—which is not a party to this case—is an Oregon limited liability company, with its headquarters in Los Angeles, California. Tr. I, 13-25. Therefore, the proper venue for this case—if any place in the U.S.—is the Central District of California where ZURU, LLC's operations take place (and where claims are pending against Plaintiffs). Plaintiffs have avoided this obvious consequence by intentionally choosing not to add ZURU, LLC to the case in an effort to make an end-run around the proper forum.

## **II. Plaintiffs Did Not Satisfy Their Heavy Burden of Showing they Are Entitled to the Extraordinary Relief of a Preliminary Injunction.**

As the Supreme Court has stated, “a preliminary injunction is an extraordinary and drastic remedy, one that should not be granted unless the movant, by a **clear showing**, carries the

burden of persuasion.” *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997) (quoting 11A Charles A. Wright et al., *Federal Practice and Procedure* § 2948, at 130 (2d ed. 1995)) (emphasis added). The burden is even higher on parties, like Plaintiffs, who seek “a mandatory preliminary injunction that alters the status quo by commanding some positive act, as opposed to a prohibitory injunction seeking only to maintain the status quo.” *Citigroup Global Mkts., Inc. v. VCG Special Opportunities Master Fund Ltd.*, 598 F.3d 30, 35 n.4 (2d Cir. 2010).

To obtain injunctive relief, Plaintiffs thus have the heavy burden of showing (a) irreparable harm **and** (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits such that the balance of hardships tips decidedly toward them. *Id.* at 35. Plaintiffs have not met their burden here.

A. Plaintiffs Did Not Show Irreparable Harm.

Notably, “courts must not simply presume irreparable harm.” *Salinger v. Colting*, 607 F.3d 68, 82 (2d Cir. 2010) (citations omitted). And as Plaintiffs themselves have acknowledged, “[a] party seeking injunctive relief must present **evidence** that it is likely to suffer irreparable harm.” (Dkt. No. 7-1 p. 62 (citing *Salinger*, 607 F.3d at 79-82) (emphasis added).)

In fact, a showing of irreparable harm is “the single most important prerequisite for the issuance of a preliminary injunction.” *Rodriguez v. DeBuono*, 175 F.3d 227, 234 (2d Cir. 1999) (internal quotation marks omitted). “To satisfy the irreparable harm requirement, [p]laintiffs must demonstrate that absent a preliminary injunction they will suffer an injury that is **neither remote nor speculative**, but actual and imminent, and one that cannot be remedied if a court waits until the end of trial to resolve the harm.” *Grand River Enter. Six Nations, Ltd. v. Pryor*, 481 F.3d 60, 66 (2d Cir. 2007) (internal quotation marks omitted; emphasis added). Without evidentiary support of irreparable harm, the Court is “without authority” to enjoin a defendant.

*Faiveley Transp. Malmö AB v. Wabtec Corp.*, 559 F.3d 110, 120 (2d Cir. 2009) (“In the absence of evidentiary support of irreparable harm, there was no basis for the entry of a preliminary injunction against Wabtec in this action.”).

Even after a two-day evidentiary hearing, Plaintiffs still have failed to proffer any credible evidence that they will actually suffer any harm—let alone irreparable harm—if the preliminary injunction is denied. In fact, Plaintiffs declined to put on the stand any corporate representative with any knowledge that Plaintiffs will suffer “actual and imminent” irreparable harm. *Grand River Enter. Six Nations, Ltd.*, 481 F.3d at 66. When questioned about the conclusory allegations in the complaint regarding Plaintiffs’ supposed harm, Plaintiffs’ counsel actually objected and stated that Mr. Buxbaum was not testifying as a corporate representative. Tr. I, 13:15-25; 14:1-6. Accordingly, ZURU Inc. was prevented from any meaningful inquiry into the mere conclusory allegations in the Complaint, and the Court thus does not have before it any evidence of irreparable harm to justify a preliminary injunction. In short, Plaintiffs failed to present anyone who could speak to how LEGO—as a company in this particular case—would be irreparably harmed. And Plaintiffs’ failure to meet their burden in this regard dooms their extraordinary request for injunctive relief.

Although it is not clear, Plaintiffs appear to allege a vague (and highly speculative) potential harm to their brand. However, they failed to offer any report by any expert demonstrating that Plaintiffs have suffered or will suffer irreparable harm here. The only testimony ever presented about Plaintiffs’ alleged harm to their brand was from Mr. Buxbaum at the TRO hearing, who stated:

[I]f we have products that are not delivering our quality of play experience in their hands, they are less likely to ever come into the Lego brand or that category of toys. And secondly, the reason that’s significant is that many of these kids will become parents themselves, and we’re a generational toy.

We've been in the market a very long time, and it's in many ways almost a rite of passage that one generation exposes the next generation to our products. So if you have a child that has a poor experience and they never start playing with Lego [brand products], then they are probably not going to be introducing that to their children. So we don't just lose that one person's engagement in our brand, we lose potentially generations of that. And when you apply that to any scale that is incredibly bad for the long-term health of our brand.

(Dkt. 47, p. 25.)

But Mr. Buxbaum's testimony is insufficient to justify a preliminary injunction for at least two fundamental reasons: (1) it presumes the quality of the MAX Build More products are inferior when that is in fact not true, and (2) he speculates as to uncertain, future events—not immediate and imminent harm, which is the type that is necessary for an injunction.

Plaintiffs assert that the MAX Build More products are inferior, which they then claim damage Plaintiffs' brand. The problem for Plaintiffs is that they never put on any credible **evidence** that the MAX Build More products are inferior. Ms. Knight offered no testimony to the effect that the MAX Build More products are of an inferior quality. And out of all of their opportunities to provide this Court with evidence to support that argument, Plaintiffs relied upon **one** customer review in support of the allegation that the MAX Build More products are inferior, but that review actually shows the products are not inferior. This review states: "Awesome set my boys love them! The Only problem is the body comes apart extremely easy. So, one thing id suggest is hot glueing the legs and body together so they dont come apart easily when your kids are playing with them." (Dkt. No. 7-1 p. 43.) Plaintiffs conveniently ignore the fact that this same review gives the product a rating of four out of five stars, thus demonstrating the accused product is not inferior. *Id.* And how can Plaintiffs' brand suffer from irreparable harm when this one review of the MAX Build More product claims that the product is "awesome" and "loved" by children? The review itself directly contradicts the assertion from Mr. Buxbaum about not

delivering on a high quality of play experience. In any event, one lone review from a layperson hardly establishes that the MAX Build More products are of an inferior quality.

On the other hand, the MAX Build More products have received thousands of positive “engagements,” as Ms. Mowbray testified at the hearing. Tr. I, 64:2-12. Among other comments, those engagements repeatedly praised the “amazing quality” of the MAX Build More products. Tr. I, 45:6-19. And Mr. Gottlieb, a prominent toy expert, agreed that the MAX Build More products are a “nice quality product.” Tr. I, 143-4-7. In the end, Plaintiffs have failed to demonstrate that the MAX Build More products are inferior. Consequently, Plaintiffs have no basis for their unsupported claim that future generations of children will not play with LEGO products because their parents had a “poor play experience” when they themselves were children.

Mr. Buxbaum’s unsupported claim of irreparable harm is also without merit because he has engaged in nothing more than rank speculation, which is not sufficient to justify injunctive relief. *Grand River Enter. Six Nations, Ltd.*, 481 F.3d at 66 (holding that speculative harm cannot support a preliminary injunction). There is no evidence that any child has had a negative experience with the MAX Build More products—quite the opposite. Moreover, Mr. Buxbaum has engaged in a series of hypotheticals, inferences, and speculation when he theorizes that children will have a poor play experience when they are young, that they will grow to adulthood, that they themselves will have children, that they will not buy their children LEGO products, and that generation after generation will never buy or play with LEGO products. As the Second Circuit has articulated, “[s]uch an accumulation of inferences is simply too speculative and conjectural to supply a predicate for prospective injunctive relief.” *Shain v. Ellison*, 356 F.3d 211, 216 (2d Cir. 2004).

Further, the described purported harm is so far into the future that it, by definition, does not qualify as “imminent and actual” to justify a preliminary injunction. As mentioned, the Second Circuit has held that a preliminary injunction is proper only if the claimed injury “is neither remote nor speculative, but actual and imminent, and one that cannot be remedied if a court waits until the end of trial to resolve the harm.” *Grand River Enter. Six Nations, Ltd.*, 481 F.3d at 66; *see also T-Mobile Ne. LLC v. Water Auth. of W. Nassau Cty.*, 249 F. Supp. 3d 680, 683-84 (E.D.N.Y. 2017) (holding that a plaintiff was not entitled to a preliminary injunction simply because defendant’s actions “could result in dropped calls,” or that there “may be impaired wireless service,” or lack of upgrades could lead to “having its reputation damaged, losing goodwill, and losing customers” because such assertions are “too speculative to constitute irreparable harm”; “These vague claims support only the possibility of harm and not its imminency.”); *JSG Trading Corp. v. Tray-Wrap, Inc.*, 917 F.2d 75, 80 (2d Cir. 1990) (denying preliminary injunction based on “a remote and speculative possibility of future harm rather than the imminent likelihood of injury”).

And even if Mr. Buxbaum were correct regarding his hypothesis, Plaintiffs would still not be entitled to injunctive relief. That is because his claimed harm—that sometime in the future, years from now, parents will not buy their children LEGO products—is one that can easily “be remedied if a court waits until the end of trial to resolve the harm.” *Grand River Enter. Six Nations, Ltd.*, 481 F.3d at 66. Indeed, this Court indicated at the hearing that this case would be placed on an expedited pretrial schedule.

Lastly, both parties agree that the MAX Build More products generally target a different consumer base (economically disadvantaged consumers) than that of Plaintiffs’ products. Mr. Buxbaum, Plaintiffs’ own witness, confirmed that the MAX Build More products fall into the

category and market of lower priced products, which compete more amongst themselves than with Plaintiffs' products. Tr. I, 24:18-24. As detailed by Ms. Mowbray at the hearing and as shown via the promotional video for the MAX Build More products (Exhibit EEE), the MAX Build More products were specifically promoted to point out the differences with Plaintiffs' products and the fact that the MAX Build More products provided a new and unique space in the construction category (again, with a focus on high-quality, yet affordable, products). *See* Trans. Vol. I, 54:4-56:20. Further, as Mr. Gottlieb testified about the differentiation, Plaintiffs "command a much higher retail price for their products than other companies do in this area" while ZURU's products are "nice quality product[s] [that are] perceived value for the selling price." *See* Tr. Vol. I, 140:3-7; 143:4-7; see also 157:15-158:11. For all of these reasons, Plaintiffs have failed to demonstrate irreparable harm, and thus a preliminary injunction should not issue.

**B. Plaintiffs Have Not Shown a Likelihood of Success on the Merits.**

**i. Plaintiffs Showed No Infringement of Protectible Copyright Elements.**

Plaintiffs have alleged that the MAX Build More action figures infringe Plaintiffs' registered copyrights for their construction toy figurines. However, Plaintiffs have shown no protectable elements in their copyright registrations. Rather, Plaintiffs' registered works are either functional or consist of *scènes à faire* (representing common themes).

"Copyright protection does not extend to 'useful articles[.]'" *Heptagon Creations, Ltd. v. Core Grp. Mktg. LLC*, 507 F. App'x 74, 75 (2d Cir. 2013). Common themes—known as *scènes à faire*—also are not entitled to copyright protection. *Walker v. Time Life Films, Inc.*, 784 F.2d

44, 50 (2d Cir. 1986); *see also Kregos v. Associated Press*, 3 F.3d 656, 663 (2d Cir. 1993).<sup>7</sup>

As Mr. Gottlieb<sup>8</sup> testified, the allegedly copied matter solely consists of general notions of where to place functional elements, such as the head, or the arms of an action figure, and these placements and dimensions are a functional part of the toy. In fact, Ms. Knight (Plaintiffs' own purported design expert) agreed. (*See* Dkt. 47-5 at ¶ 58 (“I understand that the LEGO Group does not contest that the bottom of the feet and holes on the backside of the legs are functional in that they can facilitate attachment to a base plate or brick.”); *see also* Tr. II, 277:22-279:9 (confirming stud projection on head, hands, and bottom of feet are functional).)<sup>9</sup> As such,

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<sup>7</sup> As previously argued, “a principle fundamental to copyright law [is that] a copyright does not protect an idea, but only the expression of an idea.” *Kregos v. Associated Press*, 3 F.3d at 663. Accordingly, Plaintiffs cannot seek to enforce a monopoly on mini-figurines through its copyright. In fact, ZURU is entitled to its own copyright protection in its action figures.

<sup>8</sup> ZURU Inc.'s expert, Richard Gottlieb, is the owner of a worldwide toy industry consultancy group and a member of the Toy Hall of Fame Voting Committee. Mr. Gottlieb is also the publisher of *Global Toy News*, and he has written over 1,000 articles on the toy industry. Additionally, Mr. Gottlieb has spoken at toy-industry events across the world, and he has been interviewed by major media outlets regarding matters related to the toy industry (including ABC, CNN, CBS, and BBC). Mr. Gottlieb has also testified, and been qualified as an expert, in multiple prior court cases. As the Court concluded, Mr. Gottlieb's experience and knowledge of the toy industry qualifies him to present reliable expert testimony.

<sup>9</sup> Ms. Knight's declaration and hearing testimony is replete with legal analysis and conclusions, namely that the Allegedly Infringing Products actually “infringe” Plaintiffs' products. “As a general rule an expert's testimony on issues of law is inadmissible.” *United States v. Bilzerian*, 926 F.2d 1285, 1294 (2d Cir. 1991); *see also Hygh v. Jacobs*, 961 F.2d 359, 363 (2d Cir. 1992) (“This circuit is in accord with other circuits in requiring exclusion of expert testimony that expresses a legal conclusion.”) (citing cases). Ms. Knight confirmed that she is not a lawyer and has not independently researched intellectual property laws. (*See* Dkt. 47-5 at ¶ 7; *see also* Trans. Vol II, 263:23-24.) Despite these facts, at the hearing, Ms. Knight repeatedly referred to the MAX Build More products as “infringing.” *See* Trans. Vol. II, 241:4-7; Trans. Vol. II, 259:24-25; *see also* Trans. Vol. II, 273:22-274:1. Ms. Knight also testified at the hearing that she was providing legal opinions and conclusions on infringement. *See* Trans. Vol. II, 268:15-21 (“Q. In your opinion, are you asserting that the MAX BUILD MORE product bricks accused in this case infringe the LEGO patents? A. It appears to me that they do, yes. Q. So you did form an opinion about whether or not they infringe, correct? A. Correct.”); *see also* Trans. Vol. II,



Plaintiffs' copyrights are not protectable as a matter of law, and the MAX Build More products cannot plausibly be infringing.

Further, Mr. Gottlieb testified to the significant differences between Plaintiffs' copyright registration and the MAX Build More action figures. In addition to those already identified in ZURU Inc.'s briefing (*see* Dkt. 37 at pp. 20-32), Mr. Gottlieb testified that the overall look and feel between Plaintiffs' construction toy figurines and the MAX Build More action figures differs greatly—namely, that Plaintiffs' figures represent building/construction elements whereas the MAX Build More figurines are action figures. Tr. I, 153:12-25; 154:1-8. Mr. Gottlieb also explained that these differences are further pronounced because Plaintiffs do not assemble their construction toy figurines when they package them whereas the MAX Build More action figures come assembled in the packaging and are ready to play with. Tr. I, 154:1-8.

Lastly, Mr. Buxbaum (Plaintiffs' only fact witness, who was not even called by Plaintiffs at this hearing) and Ms. Knight confirmed that differences exist between Plaintiffs' construction toy figurines and the MAX Build More action figures. Tr. I, 24:9-12; Tr. II, 225:23-25; 226:1-4. While Plaintiffs' witnesses attempted to minimize the importance of the differences, they did not actually explain why the differences are insignificant. On the other hand, Mr. Gottlieb testified that the differences are magnified in the eyes of the end user—children. Tr. I, 153:12-22. As stated by Mr. Gottlieb, the differences are more pronounced when the toys are in the hands of children based on the simple fact of scale—the toys (and their differences) are much larger to small children than full-grown adults. Tr. I, 146:23-25; 147:1-2.

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309:20-25 (“Q. Yes or no question: Did you reach any legal conclusions? . . . Q. So it’s a yes or no question. So -- A. Yes, I think --”).

**ii. Plaintiffs Failed to Show Infringement of Their Trademark.**

Plaintiffs have alleged that the MAX Build More action figures infringe Plaintiffs' trademark registration, which covers a specifically described figurine. However, Plaintiffs' trademark is weak, at best. Plaintiffs have not even shown how their trademark is used to identify the **source** of their goods. Plaintiffs also have not shown that the MAX Build More action figures actually infringe on the specifically protected aspects of Plaintiffs' trademark.<sup>10</sup>

First, Plaintiffs have failed to show that their asserted trademark is strong.<sup>11</sup> It is axiomatic that the stronger the mark, the more protection it is afforded. *McGregor-Doniger v. Drizzle, Inc.*, 599 F.2d 1126, 1132-33 (2d Cir. 1979). The strength of a mark has been defined as "its tendency to identify the goods sold under the mark as emanating from a particular . . . source." *Id.* at 1131. That is because the purpose of a trademark is to distinguish goods and to identify the source of goods. *See* 15 U.S.C. § 1127.

At the hearing, Ms. Knight confirmed that Plaintiffs' construction toy figurines are not used as source identifiers. This means the figurines admittedly do not operate as trademarks. When Ms. Knight was given samples of the MAX Build More products and asked to identify what indicated the source of the goods, she immediately cited the MAX and ZURU logos on the packaging. Tr. II, 297:2-6.

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<sup>10</sup> As discussed more fully in ZURU's prior briefing, Plaintiffs have also failed to demonstrate that any of the factors supporting a likelihood of confusion are present here. (*See* Dkt. 50 at 7-9.)

<sup>11</sup> As also discussed more fully in ZURU Inc.'s prior briefing, Plaintiffs have failed to demonstrate that its products are not wholly functional and, therefore, unprotectable as trademarks. (*See* Dkt. 37 at 32-37.)



A company's name and logo are classic identifiers of source, as Ms. Knight acknowledged.

However, Ms. Knight's logic applies equally to Plaintiffs' products:



Plaintiffs' construction toy figurines are not source identifiers—as Plaintiffs admit—rather, they are the products branded under the “LEGO” and “MINIFIGURE” marks.<sup>12</sup>

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<sup>12</sup> In their reply brief, Plaintiffs confuse the issue by citing their movie marketing as evidence that the Minifigures function as indicators of source. (Dkt. 47 p. 5, p.5 n.9.) Although it is not clear, Plaintiffs appear to be asserting that their movies serve as advertising for their Minifigure line. Even if that is the case, however, the connection between **characters** in Plaintiffs' movies and the ability of Plaintiffs' Minifigure trademark registration to function as an indicator of source is highly attenuated (notably, Plaintiffs' registered trademark does not appear to have a design similar to those of the movie characters).

Second, as detailed at the hearing, Plaintiffs’ registered trademark consists of very specific elements.<sup>13</sup> To the extent Plaintiffs’ mark is entitled to any protection, its protection is narrowly limited to what is detailed in its trademark registration. The Trademark Office’s own trademark prosecution guidelines make clear that a trademark application and subsequent registration apply to a single mark—not to endless interchangeable variants of a mark.<sup>14</sup> See Trademark Manual of Examining Procedure § 807.01; *In re Int’l Flavors & Fragrances, Inc.*, 183 F.3d 1361, 1366 (Fed. Cir. 1999). That is because a key function of a federal trademark registration is to “provide notice to other users who may have interest in the mark.” *Emmpresa Cubana Del Tabaco v. Culbro Corp.*, 213 F. Supp. 2d 247, 281 (S.D.N.Y. 2002). To “make this constructive notice meaningful, the mark, as registered, must accurately reflect the way it is used in commerce[.]” *In re Int’l Flavors & Fragrances, Inc.*, 183 F.3d 1361, 1368 (Fed. Cir. 1999).

Importantly, Plaintiffs had the opportunity to delineate the scope of their minifigure trademark during the prosecution of the application for that mark. They described the mark as follows:

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<sup>13</sup> Plaintiffs have asserted that their trademark claims encompass both their federally registered Minifigure mark and common law trademark rights derived from their Minifigure line. (Dkt. 37 at 2 n.3.) However, Plaintiffs still have not identified **which** of their thousands of Minifigures ZURU Inc. is alleged to have infringed. The identification of a valid mark entitled to protection is a required element of a Lanham Act trademark infringement claim. See *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1508 (2d Cir. 1997). Because ZURU Inc. still does not possess notice of what trademarks it is alleged to have infringed, the Court should deny Plaintiffs’ request for a preliminary injunction based on its common law trademarks.

<sup>14</sup> In their reply brief, Plaintiffs both assert that they are not attempting to assert rights in a “phantom mark” (Dkt. 47 at 1 n.1) and allege that ZURU Inc. has somehow infringed unidentified common law rights which Plaintiffs possess in their minifigure line (Dkt. 47 at 2 n. 3). But Plaintiffs cannot have it both ways. Either their rights must be narrowly defined – as required by the strictures of notice pleading – or they must admit that they are attempting to assert a) that ZURU has infringed their entire product line, and b) that their trademark registration canvasses each product in their minifigure line.

THE MARK CONSISTS OF THE THREE-DIMENSIONAL CONFIGURATION OF A TOY FIGURE FEATURING A CYLINDRICAL HEAD, ON TOP OF A CYLINDRICAL NECK, ON TOP OF A TRAPEZOIDAL TORSO OF UNIFORM THICKNESS, WITH FLAT SIDES AND A FLAT BACK, WHERE ARMS ARE MOUNTED SLIGHTLY BELOW THE UPPER SURFACE OF THE TORSO, ON TOP OF A RECTANGULAR PLATE, ON TOP OF LEGS WHICH BULGE FRONTWARDS AT THE TOP AND ARE OTHERWISE RECTANGULAR WITH UNIFORM THICKNESS, ON TOP OF FLAT SQUARE FEET.

Plaintiffs should not now be allowed to claim that their trademark rights are broader than the limitations they themselves described in the trademark application. To do so would defeat the notifying function of federal trademark registrations and undercut the Trademark Office's policy of granting just one mark per application.

ZURU Inc. has demonstrated that the MAX Build More action figures differ from Plaintiffs' figurines in their entireties and has further demonstrated in great detail that the significant and dominant portions of the products are distinct:

- Torso: Plaintiffs' figurines have trapezoidal torsos with uniform thickness (as stated in the trademark registration), but the MAX Build More action figures have cubic, tapered torsos.
- Leg bulge: Plaintiffs' figurines have legs with bulges at the top (as stated in the trademark registration), but the MAX Build More action figures have legs with no bulge.
- Leg shape: Plaintiffs' figurines have rectangular with uniform thickness legs (as stated in the trademark registration), but the MAX Build More action figures have tapered legs.
- Arm position: Plaintiffs' figurines have arms positioned below the upper surface of the torso (as stated in the trademark registration), but the MAX Build More action figures have arms level or higher than the upper surface of the torso.
- Hands: Plaintiffs' figurines have straight claw hands, but the MAX Build More action figures have rounded hands.
- Necks: Plaintiffs' figurines have thick necks, but the MAX Build More action figures have thin necks.
- Freedom of movement: Plaintiffs' figurines have restricted movement, but the MAX Build More action figures have a wide range of motion due to their "T-system" pivot system.
- Head length: Plaintiffs' figurines have shorter heads, but the MAX Build More action figures have taller heads.
- Feet/toes: Plaintiffs' figurines have long toes, but the MAX Build More action figures have short toes.

- Faces: Plaintiffs' figurines have simple, happy faces, but the MAX Build More action figures have complex, sterner faces.
- Heads: Plaintiffs' figurines have heads with no ear protrusions, but the MAX Build More action figures have heads with ears.

See Exhibit R submitted by ZURU Inc. Indeed, at the hearing, Ms. Knight herself confirmed that the MAX Build More action figures are different from the specific delineated elements in Plaintiffs' trademark registration. Tr. II, 273:18-25; 274:1; 276:20-25; 277:1. As ZURU Inc. has demonstrated, the MAX Build More action figures do not even remotely infringe the trademark rights owned by Plaintiffs. See *In re Viterra Inc.*, 671 F.3d 1358, 1362 (Fed. Cir. 2012) (stating that one feature of a mark may be significant or dominant in creating a commercial impression); *In re Nat'l Data Corp.*, 753 F.2d 1056, 1058 (Fed. Cir. 1985) (same); Dkt. 37 at pp. 20-32. Overall, Plaintiffs have not presented any viable claim for trademark infringement. For this reason, the preliminary injunction request should be denied.

### iii. The Design Patent Infringement Claims Fail.

For the design patents, Plaintiffs cannot establish likelihood of success because (a) ZURU Inc. does not infringe as a matter of law and (b) Plaintiffs' design patents are invalid.

#### a. Noninfringement

With respect to noninfringement, Plaintiffs cannot maintain their design patent claims as a matter of law because the uncontroverted evidence established that no ZURU entity made any sales within the United States. By statute, patent infringement is limited to an entity that "makes, uses, offers to sell, or sells any patented invention, **within the United States** or imports **into the United States** any patented invention." 35 U.S.C. § 271(a) (emphasis added); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 441 (2007) ("It is the general rule under United States patent law that no infringement occurs when a patented product is made and sold in another country.").

As confirmed by Ms. Mowbray and Mr. Gottlieb at the hearing, ZURU Inc. has never made, used, offered to sell, or sold the MAX Build More products “within the United States.” Tr. I, 10:12-15, 57:12-59:2, 165:8-20. Nor has ZURU Inc. imported the MAX Build More products “into the United States.” Tr. I, 57:12-59:2. Rather, the only entity within the ZURU corporate family that sold and offered to sell MAX Build More products was ZURU, LLC, and ZURU, LLC made those sales outside the United States, *i.e.* FOB China. Tr. I, 57:15-25. Specifically, all of the MAX Build More products were manufactured in China, delivered to Walmart in China, and then Walmart (not any ZURU entity) took title after leaving the dock in China, and then shipped and imported the products into the United States. Tr. I, 57:19-59:2.

Under these circumstances, even where there might be pre-sales contracting activity in the United States, there can be no “sale . . . within the United States” under § 271(a). *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 831 F.3d 1369, 1378 (Fed. Cir. 2016) (finding no infringement occurring based in part on the “presumption against extraterritorial application of United States laws”). Nor can there be any “offer to sell . . . within the United States” under these circumstances. *Id.* (finding no offer to sell within the United States where sales negotiations occurred in the United States, but the sale occurred outside the United States because “the location of the contemplated sale controls where there is an offer to sell within the United States”).<sup>15</sup>

In their Reply, Plaintiffs make three arguments in response to *Halo*, none of which have merit. (Dkt. 47 at 18-20.) **First**, Plaintiffs argue that Ms. Mowbray’s declaration stating that

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<sup>15</sup> Plaintiffs’ argument that ZURU Inc. offered to sell MAX Build More products by hosting a booth at Toy Fair also fails to pass muster. (Dkt. 47 at 18.) Even if presales negotiations took place at Toy Fair, there can be no “offer for sale . . . within the United States” because the MAX Build More products were shipped FOB China, as is the case here.

“sales of Allegedly Infringing Products are made by ZURU, LLC to third party retailers in the United States of America,” somehow contradicts her testimony. (Dkt. 47 at p. 18; Dkt. 37-1 at ¶ 12.) It does not. Read in the context of Ms. Mowbray’s and Mr. Gottlieb’s testimony and the reality of how the toy industry operates, Ms. Mowbray’s qualifying phrase “in the United States” undoubtedly applies to the location of the retailer (*e.g.*, Walmart), not where the sales occurred. The sales did not occur “within the United States” under *Halo*.

**Second**, Plaintiffs assert an agency theory that ZURU Inc. is liable for the acts of its subsidiary ZURU, LLC and/or the retailers. (Dkt. 47 at p. 18.) But the only legal authorities Plaintiffs cite—the *Akimai* and *Mobil Oil* cases—are inapposite as they are limited to acknowledging agency only in the limited context of a utility method patent where multiple entities perform different steps of a method claim. (Dkt. 47 at pp. 18-20.) Neither case supports imposing liability on ZURU Inc. for alleged infringing activity by others concerning a design patent.

**Third**, Plaintiffs concede that direct infringement might not be viable and instead argue as a fallback position that ZURU Inc.’s actions would constitute induced infringement. (Dkt. 47 at 19-20.) Under this doctrine, “whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). To adequately plead a claim of induced infringement under *Twombly*, a plaintiff must allege facts that plausibly show that defendants “specifically intended their customers to infringe” the asserted patents and “knew that the [alleged direct infringer’s] acts constituted infringement.” *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1339 (Fed. Cir. 2012). A plaintiff must allege facts that support the belief that the defendant had knowledge not only of the existence of the patent-in-suit, but also



that the acts it induced would infringe that patent. *Commit USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926, 191 L. Ed. 2d 883 (2015).

Here, Plaintiffs fail to mention the word “inducement” or a form of the word or even refer to subsection Section 271(b) of the Patent Statute. (Dkt. 1, ¶ 126 (stating merely that “ZURU’s [defined as ZURU Inc.] Infringing Bricks infringe the Asserted Patents in violation of 35 U.S.C. §§ 271 and 289.”)) Nor have Plaintiffs alleged that ZURU Inc. knew of the design patents or the “acts it induced.” (*Id.*) Thus, induced infringement has not been properly pled and is not part of this case.

b. Invalidity

Plaintiffs have also failed to prove that they are likely to succeed in view of ZURU Inc.’s validity challenges. As an initial matter, Plaintiffs have asserted that their design patents are presumed valid by statute and that ZURU Inc. has the burden of proving invalidity by clear and convincing evidence. (Dkt. 47 at p. 8.) While that may be true **at trial**, it is not the law at the preliminary injunction stage. “Instead of the alleged infringer having to persuade the trial court that the patent is invalid, at this stage it is the patentee, the movant, who must persuade the court that, despite the challenge presented to validity, the patentee nevertheless is likely to succeed at trial on the validity issue.” *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1377 (Fed. Cir. 2009).

To provide a sense of the weakness of Plaintiffs’ validity case, the Court need not look any further than the fourth design patent—U.S. Design Patent No. D701,923S (“the ’923 Patent”)—that Plaintiffs withdrew. Plaintiffs initially asserted that patent in their Complaint. (Dkt. 1, ¶¶ 45-46, 52, Ex. H.) In its Opposition, ZURU Inc. argued that the ’923 Patent is invalid as both functional and obvious and identified a LEGO prior art brick that was on sale as early as

October 2011—more than one year before the priority date. Without any principled explanation, Plaintiffs “withdr[e]w” the ’923 Patent, vaguely claiming that it was “currently investigating.” (Dkt. 47 at 6 n.11.)

Plaintiffs’ haphazard and shotgun approach to acquire design patents without any knowledge of the past—even their own prior brick products—is illustrative how their design patents are unlikely to survive validity challenges. Plaintiffs’ flawed patenting strategy permeates the three remaining asserted patents. For instance, Plaintiffs’ U.S. Design Patent No. D614,707 (“the ’707 Patent”) is directed to a window structure (shown below):

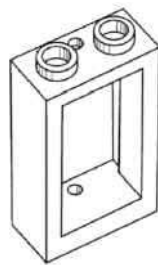
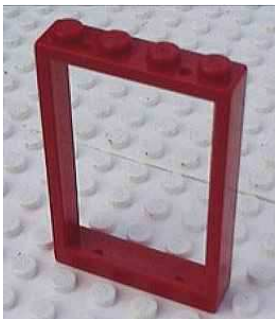


Figure 1 of the '707 Patent

Dating back to 1954—more than 65 years ago—a whole host of LEGO bricks have shown a nearly identical design or certainly one that would have rendered the ’707 Patent obvious:



**LEGO Part 2493a**  
(available since at least 1983)<sup>16</sup>



**LEGO Part 7026bc01**  
(available since at least 1954)<sup>17</sup>

<sup>16</sup> See <https://www.bricklink.com/v2/catalog/catalogitem.page?P=2493&name=Window%20x%20x%204%20x%205&category=%5BWindow%5D#T=C>

<sup>17</sup> See <https://www.bricklink.com/v2/catalog/catalogitem.page?P=7026bc01#T=S&C=1&O={%22color%22:1,%22iconly%22:0}>; see also <http://www.peeron.com/inv/sets/214-20>;

Plaintiffs' long history of attempting to obtain design patent protection on identical and/or trivial variations of its own prior art products casts a shadow over any chance of their succeeding on likelihood of success on obviousness. Establishing the availability of the prior art would not be difficult as all of the asserted prior art is either a LEGO brick or LEGO patent reference, as opposed to prior art of third parties. Plaintiffs would merely need to confirm that availability by examining their own product history or patent databases. Moreover, the fact that independent LEGO designers—over the span of nearly seven decades—came up with similar window designs illustrates the functionality (not ornamental nature) of their designs. A window is just a window no matter what decade Plaintiffs have attempted to patent it.

With respect to specific arguments, ZURU Inc. raised strong invalidity defenses based on functionality and obviousness of the three remaining design patents: '707 Patent and U.S. Design Patent Nos. D688,328 (“the '328 Patent”) and D641,053 (“the '053 Patent”).

With respect to functionality, Plaintiffs are unlikely to succeed on validity because their design patents are functional. The Patent Statute expressly limits design patent protection to “a new, original and **ornamental** design. . . .” 35 U.S.C. §171 (emphasis added). Accordingly, it is black-letter law that a design patent is invalid if its overall appearance is “dictated by” its function. *Sport Dimension, Inc. v. Coleman Co.*, 820 F.3d 1316, 1320 (Fed. Cir. 2016); *accord L.A. Gear, Inc. v. Thom McAn Shoes Co.*, 1123 (Fed. Cir. 1993) (cited in Plaintiffs' Opening Memo. (Dkt. 7 at 53)).

As an initial matter, Plaintiffs all but concede functionality by not even addressing the functionality design patent doctrine in their Reply. (Dkt. 47 at 7-20 (only addressing

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<http://www.peeron.com/inv/sets/456-3>. ZURU Inc. identified all of these LEGO prior art bricks after the hearing to rebut Ms. Knight's testimony.

obviousness with respect to ZURU Inc.'s invalidity challenges.) ZURU Inc.'s expert, Mr. Bourgeois, testified that all three of the remaining design patents are "dictated by" function. (Bourgeois Decl., ¶¶ 27-31.) The arch ('053 Patent), window casement ('707 Patent), and angle block ('328 Patent) are basic functional parts of a construction block world. They are primarily functional and thus invalid.

Plaintiffs' reliance on its "official builds constructed by the model shop at the LEGO Group" actually supports ZURU Inc.'s position not LEGO's. The fact that the arch brick can be used in varied builds—a vampire, moose, and tree (Exs. 41-3, 88-90)—only illustrates how the arch is a fungible construction element that can be used to create different overall builds. Tr. II 247:2-248:18. Similarly, the fact that the window casement can be used as parts of builds for a television, table, or eyeglass frame (Exs. 41-3, 91-93) merely shows the functionality. Tr. II, 252:21-255:8. And the use of the angle block as part of builds for a launcher, chest, and bridge (Ex. 41-3, Exs. 94-96) all demonstrate functionality of the freestanding angle block. Tr. II, 258:18-259:16.

The Court's line of questioning highlights the flaw in Ms. Knight's reasoning. Tr. II, 254:9-17 (noting that the Court was "trying to match up when it's just freestanding versus when it's in one of these builds. . . . I'm trying to translate that into being ornamental when it hasn't become part of something else."). At the hearing, Plaintiffs' expert, Ms. Knight, attempted to conflate the ornamental nature of the builds ("part of something else") with the "freestanding" bricks." Tr. II, 247:2-248:18, 252:21-255:8, 258:18-259:16. To assert that the "builds" have any bearing on the ornamentation would be akin to arguing that a nail holding up the Sistine Chapel is ornamental (and not functional) merely because it is part of a great work of art.

As explained in detail by ZURU Inc.’s expert, Mr. Bourgeois, Ms. Knight’s written testimony reflects a lack of understanding of the importance of certain factors critical in the design and manufacture of injection molded plastic construction toy parts. (Bourgeois Decl., ¶¶ 9-23.) Ms. Knight admitted she had no training or experience designing construction toys, has never obtained patents in the construction toy space, and only a “small” portion of her toy design experience even related to construction toys but that none went into production. Tr. II, 261:3-4, 261:14-16, 262:4-263:3. Accordingly, Ms. Knight lacks any particular experience (much less expertise) related to interlocking plastic-injected molded construction toys, including bricks and figurines. Without such experience, Ms. Knight would not appreciate the constraints in design for the products at issue, especially the importance of “clutch power” and compatibility. Ms. Knight’s testimony should be given little weight, if any, as she lacks experience in the design of construction toys. The Court should discount Ms. Knight’s testimony as internally inconsistent, flawed, and not credible.<sup>18</sup>

With respect to obviousness, Plaintiffs cannot prove that they are likely to succeed in view of the obviousness challenges raised by ZURU Inc. As a threshold matter, Plaintiffs’ entire obviousness argument hinges on outdated precedent that stood for the proposition that when a challenger relies on prior art already considered by the Examiner, the challenger “has the added burden of overcoming the deference [that] is due [that] government agency.” (Dkt. 47 at p. 8.)

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<sup>18</sup> At the hearing, Plaintiffs suggested that there is an affirmative duty to disclaim functional elements of a design by depicting such elements in “dotted” or broken lines. Tr. I, 112:7-25, 128:5-18. There is no such requirement in the United States. The applicable federal regulation provides that “broken lines” may be used to show visible environmental structure. 37 CFR 1.152 (“Broken lines may be used to show visible environmental structure...”); MPEP 1503.02 III (“[T]he Patent Office permits applicants to depict unclaimed subject matter in broken lines for the purpose of illustrating the environment in which the article embodying the design is used.”). While disclaiming functional elements is permitted, there is no requirement to disclaim functional elements by using “broken lines.”

Plaintiffs also wrongly rely on the so-called “deference to the Examiner” in these situations. (Dkt. 47 at p. 10.) Plaintiffs argue that when ZURU Inc. bases its obviousness challenge on prior art that the USPTO Examiner already considered during examination, that ZURU Inc. is somehow subject to an “added burden” and that the Examiner’s decision should be given “deference.”

First, Plaintiffs cite the wrong legal standard. The Supreme Court overturned any notion of an “added” or “heightened” burden in *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91 (2011). The burden at trial is clear and convincing evidence, and it does not move up and down based on the facts. Second, not all of the references were considered by the respective United States Patent and Trademark Office examiner as Plaintiffs wrongly suggest. And as noted in ZURU Inc.’s Opposition, because all the asserted prior art is either a LEGO product or LEGO patent, any such prior art that was not cited during prosecution raises the specter of possible inequitable conduct—i.e., that material information or prior art was knowingly withheld by Plaintiffs or its attorneys—that would render the asserted design patents unenforceable. (Dkt. 37 at p. 43 n.9.)

Plaintiffs are also wrong when they suggest that ZURU Inc.’s obviousness analysis did not identify so-called “primary references.” (Dkt. 47 at p. 10 n.12.) The *Titan Tire* case—cited by both sides—clearly rejects the notion that a “primary reference” needs to be identified in preliminary injunctions involving design patents. *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1384 (Fed. Cir. 2009) (“The trial court would have been entitled to consider any one of these references to be a primary reference. Each of these references, in particular [two of the prior art references have] design characteristics that are basically the same as those of Titan’s patented design. . . . The trial court correctly looked to our existing precedents, in particular *Durling*, in rendering its judgment.”)

Given Plaintiffs' flawed legal approach to obviousness, they have failed to meet their burden of overcoming ZURU Inc.'s challenge and showing likelihood of success on obviousness. Moreover, as noted above, Plaintiffs haphazard approach of obtaining design patents that are obvious and/or anticipated by their own prior art brick designs and patents eliminates any chance of Plaintiffs proving likelihood of success as set out more fully in ZURU Inc.'s Opposition. (Dkt. 37 at pp. 43-53.) Plaintiffs cannot claim inconsequential variations of an arch, window casing, and angle block with disregard to their prior art bricks and patents.

C. Plaintiffs Did Not Show a Balance of Hardships Tips in Their Favor.

Because Plaintiffs have not shown a likelihood of success on the merits, they must at least show sufficiently serious questions going to the merits such that the balance of hardships tips **decidedly** toward them to obtain an injunction. Plaintiffs have made no such showing.

With respect to the issue of hardship, Plaintiffs provided **zero testimony or evidence** in this regard. In fact, Mr. Buxbaum confirmed that Plaintiffs have done no studies or research projects regarding the MAX Build More products or their impact on Plaintiffs. Tr. I, 24:13-17. And notably, Mr. Buxbaum confirmed that sales of the MAX Build More products would have only a "*marginal* impact" on Plaintiffs because lower-priced products, like the MAX Build More products, tend to eat share from one another and not from Plaintiffs. Tr. I, 24:18-24.

That makes sense considering the enormity of Plaintiffs' revenues and brand value, especially compared with others in the construction toy market. As stated by Mr. Gottlieb, Plaintiffs generated over \$5.6 Billion in revenues in 2017, while the number two construction toy company, Mega Bloks, generated \$200 million in revenues in 2017. Tr. I, 139:13-24.<sup>19</sup> Mr.

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<sup>19</sup> Mr. Buxbaum confirmed that Plaintiffs have sold "hundreds of millions" of construction toy figurines in the U.S. Trans. Vol. I, 25:5-8.

Gottlieb also testified that Plaintiffs’ “LEGO” brand is the number one valued toy brand in the world—valued at over \$7.5 Billion, while the number two company on the list has a value of just over \$1 Billion. Tr. I, 161:25-162:1-3. In fact, Plaintiffs’ “LEGO” brand has a greater value than all other companies on the top ten list **combined** (and, in fact, is nearly twice as large as all other companies on the top ten list combined).<sup>20</sup> On the other hand, ZURU Inc. does not even appear on that list.

Also, as Mr. Gottlieb testified, Plaintiffs have approximately 548 linear feet of space in each retailer store, compared to only the 16 feet of linear space for the MAX Build More products. Tr. I, 162:24-25; 163: 1-14.<sup>21</sup> Further, as Mr. Gottlieb testified, the MAX Build More products had approximately 72 units of product on display in each retailer store, whereas Plaintiffs have approximately 20,000 units of product on display in each retailer store. Tr. I, 162:12-22. Thus, even if the MAX Build More products were on the shelf (they currently are not due to the TRO), at most they would be a new entrant with less than .003% of the actual product offers of Plaintiffs. Further, it is beyond dispute that the construction toy market has

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<sup>20</sup> Mr. Buxbaum confirmed that over the last 50 years, Plaintiffs have spent at least a billion dollars or more in research, development, and advertising of its products. Trans. Vol. I, 24:25-25:4. Plaintiffs obviously have the resources, but they still have not done any research regarding the impact, or potential impact, of the MAX Build More products on Plaintiffs’ sales or brand.

<sup>21</sup> Plaintiffs’ counsel attempted to attack Mr. Gottlieb’s credibility by referencing a court opinion that excluded certain opinions provided by Mr. Gottlieb (and that did not involve the types of issues present in the instant action). Plaintiffs, however, withheld the fact that Mr. Gottlieb was **not** disqualified as an expert in that same case. And Plaintiffs conveniently failed to advise the Court that other courts have found that “Gottlieb’s knowledge and experience render his expert testimony regarding the toy industry sufficiently reliable.” *Shapiro v. Hasbro, Inc.*, No. CV1502964BROAJWX, 2016 WL 9176559, at \*6 (C.D. Cal. Aug. 23, 2016) (denying motion to exclude Mr. Gottlieb’s expert testimony given his experience and knowledge of the toy industry); *see also GOT I, LLC v. XRT, Inc.*, No. 1:16-CV-38-WSD, 2018 WL 1089342, at \*11 (N.D. Ga. Feb. 27, 2018). Conversely, Plaintiffs’ expert, Ms. Knight, has never provided in-court testimony before, and thus, has never been deemed a reliable expert.



numerous competitors, including numerous companies that make construction toys (as discussed at the hearing [*see, e.g.*, Tr. I, 59:3-62:9] and shown on Exhibit L).

In sum, it is inconceivable that a company—like LEGO—that appears as number one on the top ten brand equity toy companies could be irreparably harmed by a new entrant into the market, especially considering the construction toy industry contains multiple players. Not only is the harm to Plaintiffs not irreparable—the harm in the form of legitimate competition here is insignificant when measured against the enormity of LEGO. That is especially true considering the lengths to which ZURU went to promote the differences in MAX Build More products from Plaintiffs’ products and the fact that the MAX Build More products provided a new and unique space in the construction category (again, with a focus on high-quality, yet affordable, products).

On the other hand, the evidence adduced at the hearing makes it crystal clear that the harm of a preliminary injunction on ZURU would be enormous. As the Federal Circuit has recognized, “[t]he hardship on a preliminarily enjoined manufacturer who must withdraw its product from the market before trial can be devastating.” *Illinois Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 683 (Fed. Cir. 1990); *see also Am. Cyanamid Co. v. U.S. Surgical Corp.*, 833 F. Supp. 92, 133 (D. Conn. 1992) (denying preliminary injunction in patent case against company that entered market dominated by two competitors).

As Ms. Mowbray testified, ZURU has already lost millions of dollars in sales because of the TRO and stands to lose over \$10 million in 2019. Tr. I, 65:4-25; 66:1-25; 67:1-25. Further, ZURU has already had its relationships with retailers damaged, and those relationships will likely be destroyed if a preliminary injunction is entered. Tr. I, 68:2-21; 69:12-22. As Mr. Gottlieb testified, a merchant can never lose shelf space without suffering crucial harm. Tr. I, 166:8-25; 167:1-16.

Lastly, Mr. Gottlieb indicated that removing the MAX Build More products from the market would have a negative impact on society. Tr. I, 157:15-25; 158:1-11. It is uncontested that the MAX Build More products provide “amazing quality” at a “fraction” of the cost of Plaintiffs’ products. Therein, the Allegedly Infringing Products are high-quality offerings that fill a very different market space than that sought by Plaintiffs for value-conscious buyers. Without the high-quality and low-cost MAX Build More products, economically disadvantaged parents would not be able to purchase them and introduce their children to educational construction toys. The public has an interest in open and free competition between such companies. *See Ethicon, Inc. v. U.S. Surgical Corp.*, 762 F. Supp. 480, 505 (D. Conn. 1991), *aff’d*, 965 F.2d 1065 (Fed. Cir. 1992) (denying preliminary injunction where “[t]he public [had] an interest in competition between . . . two highly respected and innovative companies.”).

### **III. In the Alternative, Any Preliminary Injunction Must be Narrowly Tailored and Require a Bond.**

#### **A. Any Preliminary Injunction Order Must be Narrowly Tailored and Specific.**

It is well-established that “[i]njunctive relief should be narrowly tailored to fit specific legal violations,” *Patsy’s Italian Rest., Inc. v. Banas*, 658 F.3d 254, 272 (2d Cir. 2011), and “should not impose unnecessary burdens on lawful activity,” *Waldman Publ’g Corp. v. Landoll, Inc.*, 43 F.3d 775, 785 (2d Cir. 1994). Thus, if the Court issues a preliminary injunction (it should not), the law requires that this injunction be tailored to the specific violations asserted by Plaintiffs, and not restrict activities that either are not challenged by Plaintiffs or are challenged only in claims that do not meet the standard for a preliminary injunction.

Plaintiffs allege that only the MAX Build More products and Mayka Toy Block Tape *packaging* are infringing. Thus, any preliminary injunction should specify that it **only** applies to

these products.<sup>22</sup> Likewise, any injunction must be precisely tailored to Plaintiffs' alleged intellectual property rights at issue. For example, Plaintiffs seemingly take no issue with the Mayka Toy Block Tape product itself, only the packing using the allegedly infringing figurines. (See Dkt. No. 1 ¶¶ 36, 62, 79, 80, 92.) As a result, any injunction that would prevent the sale of this product in new packaging that does not contain the accused images would improperly enjoin ZURU Inc. from activities that Plaintiffs do not challenge.

Finally, any injunction should specify that it does not restrict the actions of third parties, including the ability of retailers to sell their existing stock of the accused products. As a matter of law, an injunction barring a manufacturer from selling a product cannot restrict non-defendant retailers from selling their existing stock of that product where, as here,<sup>23</sup> those “retailers[’] and distributors’ purchases of [that product] became final before the entry of the injunction.”

*Paramount Pictures Corp. v. Carol Publ’g Grp., Inc.*, 25 F. Supp. 2d 372, 374-75 (S.D.N.Y.

1998) (collecting cases).<sup>24</sup> Indeed, where, as here, a plaintiff chooses not to join any retailers as

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<sup>22</sup> The TRO contained broad language encompassing any product “substantially similar to the Minifigure Copyrights or likely to be confused with the Minifigure Trademarks.” (Dkt. No. 19 p. 2.) However, as discussed at the hearing, this language caused confusion among the parties and the Court, especially its application to third parties. See Tr. II, 344:1-346:18. In particular, the use of terms such as “substantially similar” and “likely to be confused” embody conclusions of law and require any party that may be affected by the injunction to conduct its own amateur legal analysis to determine whether a given product meets these legal standards, with a threat of a contempt action if it guesses incorrectly. Rather than require such guesswork, which would improperly chill legal commercial activity, the Court should specify the products to which the injunction applies.

<sup>23</sup> The uncontroverted testimony showed that, when ZURU, LLC sold the Allegedly Infringing Products, they became the property of the third-party retailers upon acceptance of the products FOB China. See Trans. Vol. I, 47:8-13; 57:15-59:2. Thus, it is undisputed that any sales of the accused products to retailers occurred prior to the issuance of the TRO.

<sup>24</sup> Other courts have reached similar conclusions. *ONE11 Imports Inc. v. NuOp LLC*, 16-CV-7197, 2016 WL 7338422, at \*3 (S.D.N.Y. Dec. 19, 2016) (“Products sold and delivered to retailers and/or distributors by [the defendant] prior to [the date of the injunction] are not subject

defendants, the Court lacks jurisdiction to enjoin the independent actions of those nonparty retailers.<sup>25</sup> *Id.* at 375-76. Accordingly, if Plaintiffs wanted to enjoin any retailers from selling their existing stock of the accused products, they needed to name those retailers as defendants and allow them an opportunity to defend their right to act. Plaintiffs have chosen not to do so. Thus, the Court should specify that the third-party retailers are not prohibited from selling products they currently own. *See id.* at 374.

B. Any Preliminary Injunction Order Must Require a Bond.

In their briefing, Plaintiffs argue that they should not be required to post an injunction bond because ZURU Inc. supposedly will not be damaged by an injunction. (Dkt. 47 at p. 21.) Plaintiffs' sole basis for this argument is their grossly premature (and inaccurate) legal conclusion that ZURU Inc. did not have the right to sell the accused products in the first place. This argument ignores the fact that an injunction bond **must** be tailored "to pay the costs and damages sustained by any party found to have been **wrongfully** enjoined or restrained." Fed. R. Civ. P. 65(c) (emphasis added); *see also, e.g., Nokia Corp. v. InterDigital, Inc.*, 645 F.3d 553, 560 (2d Cir. 2011) (recognizing that the purpose of a bond is "to cover the costs and damages incurred as a result of complying with a **wrongful** injunction" (emphasis added)). Accordingly, the amount of the injunction bond must be based on the damages that the enjoined party would suffer if, after being enjoined, *it ultimately prevails on the merits*. Because Plaintiffs' sole basis

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to the Court's injunction."); *Energybrands, Inc. v. Beverage Mktg. USA, Inc.*, No. 02 CIV. 3227, 2002 WL 826814, at \*3 (S.D.N.Y. May 1, 2002) ("[T]his injunction does not preclude any retailers or distributors who have already purchased WaterAid+ from defendant and taken actual delivery thereof from reselling such WaterAid+ presently in their possession[.]").

<sup>25</sup> To the extent Plaintiffs argue that one of the retailers was involved in designing the accused products, this does not change the fact that Plaintiffs have chosen not to sue any retailers, thereby depriving the Court of jurisdiction to enjoin the independent actions of these retailers.

for claiming that an injunction relies on the premise that ZURU Inc. will *lose on the merits*, this argument fails as a matter of law. Plaintiffs can cite no support for their novel proposition that an injunction bond can be foregone merely because the party seeking the injunction contends that the enjoined party had no right to take the enjoined action<sup>26</sup>—a proposition which, if true, would make it unlikely that an injunction bond would **ever** be required, as **all** injunctions are premised on the movant’s contention that the enjoined party had no right to take the enjoined actions. Consequently, if the Court chooses to enter a preliminary injunction (it should not), Plaintiffs must post a bond appropriate to pay the costs and damages that will have been caused to ZURU Inc. by such an injunction should ZURU Inc. ultimately prevail on the merits.

THE DEFENDANT  
ZURU INC.

/s/ Thomas Dunlap

Primary Counsel

Dunlap Bennett & Ludwig PLLC

Thomas Dunlap (*P.H.V.* granted)  
 Laura Seferian (*P.H.V.* granted)  
 Dunlap Bennett & Ludwig PLLC  
 8300 Boone Blvd. #550  
 Vienna, VA 22182  
 (703) 442-3890  
[tdunlap@dbllawyers.com](mailto:tdunlap@dbllawyers.com)  
[lseferian@dbllawyers.com](mailto:lseferian@dbllawyers.com)

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<sup>26</sup> Of the cases Plaintiffs cite (Dkt. 47 at p. 21), the only one that even concerns an injunction bond considered circumstances where harm was impossible even if the enjoined party ultimately prevailed. *See Ferguson v. Tabah*, 288 F.2d 665, 675 (2d Cir. 1961) (holding that no bond was necessary for the temporary impoundment of stock certificates that the parties agreed were nonnegotiable). The other cases Plaintiffs cite **do not even involve** an injunction bond. *See Clear Channel Outdoor, Inc. v. City of N.Y.*, 594 F.3d 94, 110 (2d Cir. 2010) (rejecting a mootness argument based on “voluntary cessation of allegedly illegal activity”); *My-T Fine Corp. v Samuels*, 69 F.2d 76, 78 (2d Cir. 1934) (reversing the denial of a preliminary injunction under extreme circumstances where “nothing short of abandonment would be a defense at final hearing,” without mentioning whether any bond should be imposed).

Nicholas A. Kurtz (phv09877)  
Dunlap Bennett & Ludwig PLLC  
55 E. Monroe, Suite 3800  
Chicago, IL 60603  
(312) 868-0714  
[nkurtz@dbllawyers.com](mailto:nkurtz@dbllawyers.com)

Local Counsel

Simon I. Allentuch (ct21094)  
Stockman O'Connor, PLLC  
10 Middle Street, 11<sup>th</sup> Floor  
Bridgeport, Connecticut 06604  
(203) 598-7585  
[sallentuch@stockmanoconnor.com](mailto:sallentuch@stockmanoconnor.com)

# **Exhibit T**

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF CONNECTICUT

LEGO A/S, LEGO SYSTEMS, Inc., and  
LEGO Juris A/S,

Plaintiffs,

v.

ZURU Inc.,

Defendant.

Civil Action No. 3:18-CV-2045 (AWT)

May 7, 2020

**ZURU’S FIRST SET OF REQUESTS FOR ADMISSIONS (NOS. 1-71)**

Pursuant to Federal Rules of Civil Procedure 26 and 36, Defendant ZURU Inc. (“ZURU”), by and through its undersigned counsel, submits to Plaintiffs LEGO A/S, LEGO SYSTEMS, Inc. and LEGO Juris A/S (“LEGO”) the following requests for admissions. Responses to these requests shall be served upon Fatima Lahnin, Carmody Torrance Sandak & Hennessey, LLP – NH, 195 Church St. 18th floor, PO Box 1950, New Haven, CT 06509-1950, within 30 days of service of these requests. The requests shall be read and interpreted in accordance with the definitions and instructions set forth below.

**INSTRUCTIONS**

1. Each request shall be admitted or, if objection is made, the reasons therefore shall be stated, or the answer shall specifically deny the matter or set forth in detail the reasons why the answering party cannot truthfully admit or deny the matter.

2. A denial shall fairly meet the substance of the requested admission, and when good faith requires that a party qualify the answer or deny only a part of the matter of which an admission is requested, the party shall specify so much of it as is true and qualify or deny the remainder.

3. An answering party may not give lack of information or knowledge as a reason for failure to admit or deny unless the answering party states that reasonable inquiry has been made,



and that the information known to be readily obtainable to the answering party is insufficient to enable the answering party to admit or deny.

4. A party who considers that a matter of which an admission has been requested presents a genuine issue for trial may not, on that ground alone, object to the request.

### **DEFINITIONS**

1. The terms “you,” “your,” “yours,” and “LEGO” means LEGO A/S, LEGO SYSTEMS, Inc. and/or LEGO Juris A/S, including any of their past or present officers, directors, employees, divisions, subsidiaries, affiliates, predecessors and successors, investors, shareholders, any joint venture to which either may be a party, contractors, consultants, representatives, agents, and accountants, including any person who served in any such capacity at any time.

2. The term “representative” means any consultant, expert, attorney, contractor, or other person engaged by the designated entity to perform some task or assignment for the entity.

3. The term “employee” means any director, trustee, officer, employee, agent, consultant, partner, corporate parent, subsidiary, affiliate, or servant of the designated entity, whether active or retired, full-time or part-time, current or former, and compensated or not.

4. The terms “person” and “entity” mean any natural person and any other cognizable entity, including, without limitation, corporations, proprietorships, partnerships, joint ventures, joint marketing entities, businesses, consortiums, clubs, associations, foundations, governmental agencies or instrumentalities, societies, and orders.

5. The phrase “refer or relate to” shall be understood to apply if the document evidences, mentions, discusses, constitutes, concerns, relates, refers to (directly or indirectly), or in any other way pertains to the subject matter of the request.

6. The term “all” shall be construed to mean all or any, and the term “any” shall be construed to mean all or any.

7. The term “fix” means apply, label, inscribe, append or mark in any other manner.

8. The term “including” means “including but not limited to.”

9. The phrase “LEGO Minifigure” has the same meaning ascribed to the phrase in LEGO’s complaint.

10. The phrase “Asserted Minifigure Copyrights” means Copyright Registration Numbers VA 655-230 and VA 655-104.

11. The phrase “Asserted Registered Minifigure Trademark” means Trademark Registration Number 4,903,968.

12. The phrase “first generation ZURU MAX figurine” means the ZURU MAX Build More figurine identified in LEGO’s complaint as infringing LEGO’s asserted Mini-figurine copyrights and trademarks.

13. The phrase “second generation ZURU MAX figurine” means the redesigned ZURU MAX Build More figurine identified as the “Redesigned Figurine” in ZURU’s Answer and Counterclaims, dated July 22, 2019 (Dkt. No. 94).

### **SPECIFIC REQUESTS FOR ADMISSION**

#### **Request for Admission No. 1:**

Admit that the LEGO Minifigure is a miniaturized human body form.

#### **Request for Admission No. 2:**

Admit that the first generation ZURU MAX figurine is a miniaturized human body form.

#### **Request for Admission No. 3:**

Admit that the second generation ZURU MAX figurine is a miniaturized human body form.

#### **Request for Admission No. 4:**

Admit that the LEGO Minifigure has a head, torso, arms, hands, waist, legs and feet.

**Request for Admission No. 5:**

Admit that the first generation ZURU MAX figurine has a head, torso, arms, hands, waist, legs and feet.

**Request for Admission No. 6:**

Admit that the second generation ZURU MAX figurine has a head, torso, arms, hands, waist, legs and feet.

**Request for Admission No. 7:**

Admit that the LEGO Minifigure has a trapezoidal torso of uniform thickness.

**Request for Admission No. 8:**

Admit that the first generation ZURU MAX figurine does not have a trapezoidal torso of uniform thickness.

**Request for Admission No. 9:**

Admit that the second generation ZURU MAX figurine does not have a trapezoidal torso of uniform thickness.

**Request for Admission No. 10:**

Admit that the LEGO Minifigure has arms mounted slightly below the upper surface of the torso.

**Request for Admission No. 11:**

Admit that the first generation ZURU MAX figurine does not have arms mounted slightly below the upper surface of the torso.

**Request for Admission No. 12:**

Admit that the second generation ZURU MAX figurine does not have arms mounted slightly below the upper surface of the torso.

**Request for Admission No. 13:**

Admit that the LEGO Minifigure has legs which bulge frontwards at the top and that are otherwise rectangular with uniform thickness.

**Request for Admission No. 14:**

Admit that the first generation ZURU MAX figurine does not have legs which bulge frontwards at the top and that are otherwise rectangular with uniform thickness.

**Request for Admission No. 15:**

Admit that the second generation ZURU MAX figurine does not have legs which bulge frontwards at the top and that are otherwise rectangular with uniform thickness.

**Request for Admission No. 16:**

Admit that the LEGO Minifigure has flat square feet.

**Request for Admission No. 17:**

Admit that the first generation ZURU MAX figurine does not have flat square feet.

**Request for Admission No. 18:**

Admit that the second generation ZURU MAX figurine does not have flat square feet.

**Request for Admission No. 19:**

Admit that the LEGO Minifigure does not have ears that protrude from the sides of the head.

**Request for Admission No. 20:**

Admit that the first generation ZURU MAX figurine has ears that protrude from the sides of the head.

**Request for Admission No. 21:**

Admit that the second generation ZURU MAX figurine has ears that protrude from the sides of the head.

**Request for Admission No. 22:**

Admit that the head of the LEGO Minifigure is cylindrical.

**Request for Admission No. 23:**

Admit that the head of first generation ZURU MAX figurine is not cylindrical.

**Request for Admission No. 24:**

Admit that the head of second generation ZURU MAX figurine is not cylindrical.

**Request for Admission No. 25:**

Admit that LEGO Minifigure has a stud on the top of its head.

**Request for Admission No. 26:**

Admit that the second generation ZURU MAX figurine does not have a stud on the top of its head.

**Request for Admission No. 27:**

Admit that the LEGO Minifigure and the first generation ZURU MAX figurine are not the same shape.

**Request for Admission No. 28:**

Admit that the LEGO Minifigure and the second generation ZURU MAX figurine are not the same shape.

**Request for Admission No. 29:**

Admit that the LEGO Minifigure and the first generation ZURU MAX figurine do not have the same body proportions.

**Request for Admission No. 30:**

Admit that the LEGO Minifigure and the second generation ZURU MAX figurine do not have the same body proportions.

**Request for Admission No. 31:**

Admit that the hands of the LEGO Minifigures are able to attach to LEGO accessories like toy swords and shields.

**Request for Admission No. 32:**

Admit that the hands of the first generation ZURU MAX figurines are able to attach to LEGO accessories like toy swords and shields.

**Request for Admission No. 33:**

Admit that the hands of the second generation ZURU MAX figurines are able to attach to LEGO accessories like toy swords and shields.

**Request for Admission No. 34:**

Admit that the hands of the first generation ZURU MAX figurines are able to attach to ZURU accessories like toy swords and shields.

**Request for Admission No. 35:**

Admit that the hands of the second generation ZURU MAX figurines are able to attach to ZURU accessories like toy swords and shields.

**Request for Admission No. 36:**

Admit that the stud on the top of the head of the LEGO Minifigures is able to attach to other LEGO products and accessories.

**Request for Admission No. 37:**

Admit that the stud on the top of the head of the first generation ZURU MAX figurine is able to attach to other LEGO products and accessories.

**Request for Admission No. 38:**

Admit that the stud on the top of the head of the first generation ZURU MAX figurine is able to attach to other ZURU products and accessories.

**Request for Admission No. 39:**

Admit that the round holes in the legs of the LEGO Minifigures are able to attach to other LEGO products bearing cylindrical studs.

**Request for Admission No. 40:**

Admit that the round holes in the legs of the first generation ZURU MAX figurines are able to attach to LEGO products bearing cylindrical studs.

**Request for Admission No. 41:**

Admit that the round holes in the legs of the second generation ZURU MAX figurines are able to attach to LEGO products bearing cylindrical studs.

**Request for Admission No. 42:**

Admit that the round holes in the legs of the first generation ZURU MAX figurines are able to attach to ZURU products bearing cylindrical studs.

**Request for Admission No. 43:**

Admit that the round holes in the legs of the second generation ZURU MAX figurines are able to attach to ZURU products bearing cylindrical studs.

**Request for Admission No. 44:**

Admit that the proportions of the LEGO Minifigures permit attachment to other LEGO products in both a seated and standing position.

**Request for Admission No. 45:**

Admit that the LEGO Minifigures can attach to other LEGO products in both a seated and standing position.

**Request for Admission No. 46:**

Admit that the first generation ZURU MAX figurines can attach to LEGO products in both a seated and standing position.

**Request for Admission No. 47:**

Admit that the second generation ZURU MAX figurines can attach to LEGO products in both a seated and standing position.

**Request for Admission No. 48:**

Admit that the first generation ZURU MAX figurines can attach to other ZURU products in both a seated and standing position.

**Request for Admission No. 49:**

Admit that the second generation ZURU MAX figurines can attach to other ZURU products in both a seated and standing position.

**Request for Admission No. 50:**

Admit that LEGO did not invent construction toys with pieces that attach to each other through cylindrical studs in one piece and holes in another.

**Request for Admission No. 51:**

Admit that LEGO is not the first company to sell in the U.S. construction toys with pieces that attach to each other through cylindrical studs in one piece and holes in another.

**Request for Admission No. 52:**

Admit that the Asserted Minifigure Copyrights do not protect the decorations (*e.g.*, facial expressions and clothing) that adorn the LEGO Minifigures.

**Request for Admission No. 53:**

Admit that the Asserted Minifigure Registered Trademark does not protect the decorations that adorn the LEGO Minifigures.

**Request for Admission No. 54:**

Admit that the trademark subject to registration number 2,273,314 is a surface feature for product packaging.

**Request for Admission No. 55:**

Admit that the trademark subject to registration number 2,273,321 is a surface feature for product packaging.

**Request for Admission No. 56:**

Admit that the trademark subject to registration number 2,922,658 is a logo not a product configuration.

**Request for Admission No. 57:**

Admit that you have sold thousands of variations of LEGO Minifigures in the U.S.



**Request for Admission No. 58:**

Admit that you have sold LEGO Minifigures in the U.S. with varying body shapes, sizes and proportions.

**Request for Admission No. 59:**

Admit that all the LEGO Minifigures you have sold in the U.S. have hands of the same shape and size.

**Request for Admission No. 60:**

Admit that all the LEGO Minifigures you have sold in the U.S. have a cylindrical stud on the top of the head.

**Request for Admission No. 61:**

Admit that LEGO has no intellectual property rights in the U.S. (patents, trademarks or copyrights) that prohibit other companies from selling products that are compatible with LEGO products (i.e., that are capable of attaching to LEGO products).

**Request for Admission No. 62:**

Admit that LEGO products (Minifigures and bricks) attach to each other through connections between cylindrical studs in one product and holes in another product.

**Request for Admission No. 63:**

Admit that LEGO has no intellectual property rights in the U.S. (patents, trademarks or copyrights) that prohibit other companies from selling products that attach to LEGO products through connections between cylindrical studs in one product and holes in another product.

**Request for Admission No. 64:**

Admit that it is not unlawful for ZURU to sell products in the U.S. that attach to LEGO products through cylindrical studs and holes, provided that those ZURU products do not otherwise infringe LEGO's intellectual property rights.

**Request for Admission No. 65:**

Admit that LEGO has never sold any Minifigures in the U.S. in packaging that does not display the word “LEGO” on it.

**Request for Admission No. 66:**

Admit that LEGO has never sold any bricks in the U.S. in packaging that does not display the word “LEGO” on it.

**Request for Admission No. 67:**

Admit that LEGO has never placed a print, television or Internet advertisement in the U.S. for a Minifigure in which the word “LEGO” is not displayed or spoken.

**Request for Admission No. 68:**

Admit that LEGO has never placed a print, television or Internet advertisement in the U.S. for a LEGO brick in which the word “LEGO” is not displayed or spoken.

**Request for Admission No. 69:**

Admit that LEGO has never marketed or sold products in the U.S. under the brand name “MAX.”

**Request for Admission No. 70:**

Admit that LEGO has never marketed or sold products in the U.S. under the brand name “MAX Build More.”

**Request for Admission No. 71:**

Admit that LEGO has never marketed or sold products in the U.S. under the brand name “MAYKA.”

Dated: May 7, 2020

Defendant ZURU Inc.

By: */s/ Fatima Lahnin*  
Carmody Torrance Sandak & Hennessey, LLP – NH  
Marc J. Kurzman  
Fatima Lahnin  
195 Church St. 18th floor  
PO Box 1950

New Haven, CT 06509-1950  
Tel: 203-784-3116  
Fax: 203-784-3199  
mkurzman@carmodylaw.com  
flahnin@carmodylaw.com

Quinn Emanuel Urquhart & Sullivan, LLP  
Michael T. Zeller (phv10063)  
Daniel C. Posner (phv 10604)  
865 South Figueroa Street  
10th Floor  
Los Angeles, CA 90017  
Tel: 213-443-3000  
Fax: 213-443-3100  
michaelzeller@quinnemanuel.com  
danposner@quinnemanuel.com

Cory D. Struble (phv 10564)  
51 Madison Avenue  
New York, NY 10010  
Tel: 212-849-7082  
corystruble@quinnemanuel.com

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that counsel for Plaintiffs LEGO A/S, LEGO SYSTEMS, Inc. and LEGO Juris A/S are being served with a copy of this document via e-mail on May 7, 2020.

*s/ Fatima Lahnin*

# **Exhibit U**

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

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----- x
LEGO A/S; LEGO SYSTEMS, INC.;      :
and LEGO JURIS A/S,                 :
                                     :
           Plaintiffs,               :   Civil No. 3:18-cv-2045 (AWT)
                                     :
v.                                   :
                                     :
ZURU INC.,                           :
                                     :
           Defendant.                :
----- x

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**RULING ON MOTION TO DISMISS**

Defendant ZURU Inc. has moved to dismiss this action. ZURU Inc. argues that there was inadequate service of process; that the court does not have personal jurisdiction over ZURU Inc.; that this case should be dismissed for improper forum or, in the alternative, be transferred to the Central District of California; that the plaintiffs have failed to join a necessary indispensable party; and that the plaintiffs have failed to state claims upon which relief can be granted. For the reasons set forth below, the defendant's motion to dismiss is being denied.

**I. FACTUAL AND PROCEDURAL BACKGROUND**

Plaintiffs LEGO A/S ("LAS"), LEGO Systems, Inc. ("LSI"), and LEGO Juris A/S ("LJAS") (collectively the "LEGO Group") filed a Verified Complaint against defendant ZURU Inc.

LAS is a private company with a place of business in Denmark; LSI is a Delaware corporation having its principal place of business in Enfield, Connecticut; and LJAS is a private company with a place of business in Denmark. ZURU Inc. is a British Virgin Islands corporation with a principal place of business in Hong Kong. Non-party ZURU, LLC is an Oregon limited liability company, with its principal place of business in California. Its sole member is ZURU Inc.

The LEGO Group designs and manufactures toys and play materials for children of all ages. In 1978, the LEGO® brand introduced its Minifigure figurine. The Minifigure figurine is a toy sculpture that has interchangeable parts such as a head, hair, torso, arms, legs and can feature a multitude of facial expressions and clothing styles.

LAS owns numerous copyrights registered with the United States Copyright Office, including Registration Number VA0000655230 and Registration Number VA0000655104, covering the sculpture of the Minifigure figurine.

LJAS owns numerous trademarks registered with the United States Patent and Trademark Office including Registration Number 4,903,968, covering "toy figures; play figures; positionable toy figures; modeled plastic toy figurines; three dimensional positionable toy figures sold as a unit with other toys; construction toys; [and] toy construction sets." The LEGO Group

also has common law trademark rights in the Minifigure figurine by virtue of its continuous use of the mark in commerce throughout the United States since 1978.

The LEGO Group has designed and sold different unique bricks and building elements. The ornamental designs of many of its bricks and building elements are protected by United States design patents. LAS owns U.S. Patent No. D701,923S, U.S. Patent No. D688,328S, U.S. Patent No. D641,053S and U.S. Patent No. D614,707S (collectively the "Asserted Patents.") Each of the Asserted Patents remains in full force and effect.

In 2012, the LEGO Group introduced its Friends™ line of toy products, including a series of miniature figurines (the "Friends figurine") representative of LEGO® Friends™ characters. The Friends figurine had copyright notices on its product packaging as well as in the plastic of the actual figurines in various locations. LAS owns numerous copyrights registered with the United States Copyright Office, including Registration Numbers VA 1-876-291, VA 1-876-279, VA 1-876-378, and VA 1-876-373, covering the 3D sculpture of the figurine.

On or about October 1, 2018, ZURU launched its line of MAX Build More construction toys. The plaintiffs' claim that ZURU Inc. sells figurines in its MAX Build More 15 MAX Figures sets and uses images on its product packaging and social media sites that are confusingly similar to the overall look and feel of the



LEGO® Minifigure figurine. The plaintiffs also claim that ZURU Inc. uses an image on its Mayka Toy Block Tape that is confusingly similar to the overall look and feel of the Registered Friends copyrights. The plaintiffs claim further that ZURU Inc. uses the LEGO Group's trademarks as source identifiers, and adopts the LEGO Group's trade dress to deliberately create consumer confusion. Moreover, the plaintiffs claim that ZURU Inc. manufactures, sells, offers to sell, displays, distributes and imports in the United States certain building bricks that are identical or at least substantially similar to the plaintiffs' products covered by the Asserted Patents. The above-referenced products are referred to as the "ZURU Products."

ZURU Inc. moved to dismiss this action pursuant to Fed. R. Civ. P. (12)(b)(5), arguing that the plaintiffs had failed to properly effect service of the complaint, notwithstanding the steps the plaintiffs had taken to effectuate service through the Hague Convention. However, Anna Mowbray, the Chief Operating Officer of ZURU Inc., was served on February 14, 2019 when she was here in Connecticut voluntarily. See Northern Knight Technology, Inc. v. Northern Lights Club, 236 F.3d 57, 60-66 (1st Cir. 2001) (upholding personal jurisdiction, inter alia, because the defendant was served while voluntarily in the forum for preliminary injunction hearing).

ZURU Inc. also moves to dismiss all of the claims in the complaint pursuant to Fed. R. Civ. P. 12(b)(6) for failure to state a claim. None of its arguments are persuasive, and the court is issuing a supplemental order explaining why the motion to dismiss is being denied to the extent it is based on Rule 12(b)(6).

## II. PERSONAL JURISDICTION

ZURU Inc. claims that it is not subject to personal jurisdiction in this district. The court concludes that the plaintiffs have met their burden establishing that it is.

"On a Rule 12(b)(2) motion to dismiss for lack of personal jurisdiction, the plaintiff bears the burden of showing that the court has jurisdiction over the defendant." Metro. Life Ins. Co. v. Robertson-Ceco Corp., 84 F.3d 560, 566 (2d Cir.1996), cert. denied, 519 U.S. 1006 (1996). Where a defendant challenges "only the sufficiency of the plaintiff's factual allegations, in effect demurring by filing a Rule 12(b)(2) motion, the plaintiff need persuade the court only that its factual allegations constitute a prima facie showing of jurisdiction." Ball v. Metallurgie Hoboken-Overpelt, S.A., 902 F.2d 194, 197 (2d Cir. 1990). "[W]hen a motion to dismiss for lack of jurisdiction is decided on the basis of affidavits and other written materials, the plaintiff need only make a prima facie showing. The allegations in the complaint must be taken as true to the extent

they are uncontroverted by the defendant's affidavits." Seetransp., Wiking, Trader, Schiffahrtsgesellschaft, MBH & Co., Kommanditgesellschaft v. Navimpex Centrala Navala, 989 F.2d 572, 580 (2d Cir. 1993) (quoting Taylor v. Phelan, 912 F.2d 429, 431 (10th Cir. 1990) (per curiam) (citations omitted), cert. denied, 498 U.S. 1068 (1991)). However, "[i]f the parties present conflicting affidavits, all factual disputes are resolved in the plaintiff's favor, and the plaintiff's prima facie showing is sufficient notwithstanding the contrary presentation by the moving party." Id. (quoting Taylor, 912 F.2d at 431).

Here, in addition to the pleadings and the affidavits and other documents, the court has heard testimony with respect to some of the issues that pertain to personal jurisdiction.

"To determine personal jurisdiction over a non-domiciliary in a case involving a federal question, the Court must engage in a two-step analysis." Chloe v. Queen Bee of Beverly Hills, 616 F.3d 158, 163 (2d Cir. 2010). "First, we apply the forum state's long-arm statute." Id. "If the long-arm statute permits personal jurisdiction, the second step is to analyze whether personal jurisdiction comports with the Due Process Clause of the United States Constitution." Id. at 164. "The law of the Federal Circuit, rather than that of the regional circuit in which the case arose, applies to determine whether . . . to exercise

personal jurisdiction over an out-of-state accused [patent] infringer.” Nuance Commc’ns, Inc. v. Abbyy Software House, 626 F.3d 1222, 1230 (Fed. Cir. 2010); see also Touchcom, Inc. v. Bereskin & Parr, 574 F.3d 1403, 1411 (Fed. Cir. 2009) (“An inquiry into personal jurisdiction involves two steps. We must first decide whether the forum state’s long-arm statute permits service of process on appellees. We must then determine whether the assertion of personal jurisdiction in accordance with that long-arm statute would violate the U.S. Constitution’s guarantee of due process.”) (internal citations omitted).

**A. Long-Arm Statute**

The plaintiffs have established that this court has personal jurisdiction over ZURU Inc. under Conn. Gen. Stat. § 33-929(f) (3) based on ZURU Inc.’s production, manufacture, and distribution of the ZURU Products. The pertinent part of that statute reads:

Every foreign corporation shall be subject to suit in this state, by a resident of this state or by a person having a usual place of business in this state, whether or not such foreign corporation is transacting or has transacted business in this state and whether or not it is engaged exclusively in interstate or foreign commerce, on any cause of action arising as follows:

. . .

(3) out of the production, manufacture or distribution of goods by such corporation with the reasonable expectation that such goods are to be used or consumed in this state and are so used or consumed, regardless of how or where the goods were produced, manufactured, marketed or sold or

whether or not through the medium of independent contractors or dealers.

Conn. Gen. Stat. § 33-939(f) (3).

The LEGO Group has a usual place of business in Connecticut. ZURU Inc. produces, manufactures, or distributes the ZURU Products. The ZURU Products are sold to end-consumers in Connecticut by several large chain retailers, including Walmart. ZURU Inc. has an exclusive retail relationship with Walmart. See Pls.' Ex. 37. The business relationship between ZURU Inc. and Walmart predates by several years the formation of ZURU LLC in August 2008.

"[I]f the defendant knew or reasonably should have known that its product would find its way into the stream of commerce in Connecticut, then it would not be unreasonable for it to expect to defend an action in Connecticut." OneBeacon Ins. Grp. v. Tylo AB, 731 F. Supp. 2d 250, 255 (D. Conn. 2010) (internal quotation marks and citation omitted). "[W]here a foreign company engages in a relationship with a United States distributor for several years and knows that the distributor distributes widely across the nation, it is not unreasonable to find that the foreign company should have had a reasonable expectation that its products would be sold or used in Connecticut." Id. at 256. Thus, the plaintiffs have established

that ZURU Inc. had more than a reasonable expectation that the ZURU Products would in fact be used or consumed in Connecticut.

As discussed below, ZURU Inc. maintains that the ZURU Products are distributed in the United States by ZURU, LLC. However, while that question matters for purposes of the due process analysis, it is not material for purposes of determining whether ZURU Inc.'s conduct falls within the scope of Connecticut's long-arm statute because it covers ZURU Inc.'s conduct "regardless of how or where the goods were produced, manufactured, marketed or sold or whether or not through the medium of independent contractors or dealers." Conn. Gen. Stat. § 33-939(f)(3).

Thus, the court concludes that there is personal jurisdiction under Conn. Gen. Stat. § 33-939(f)(3).

#### **B. Due Process**

A two-step analysis is used when determining whether the exercise of personal jurisdiction comports with Due Process requirements: (1) do "there exist 'minimum contacts' between the defendant and the forum State"; and, if so, (2) does the assertion of jurisdiction "offend traditional notions of fair play and substantial justice." World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 291-92 (1980) (internal citations omitted). Where a defendant has "continuous and systematic general business contacts" with the forum state, a court in that

forum may exercise "general jurisdiction" over any action brought against that defendant. Helicopteros Nacionales de Colombia, S.A. v. Hall, 466 U.S. 408, 414 n.9, 416 (1984). Where contacts are less pervasive, a court may still exercise "specific" jurisdiction "in a suit arising out of or related to the defendant's contacts with the forum." Id. at 414 n.8.

"The Federal Circuit applies a three prong test to determine if specific jurisdiction exists: (1) whether the defendant purposefully directed activities at residents of the forum; (2) whether the claim arises out of or relates to those activities; and (3) whether assertion of personal jurisdiction is reasonable and fair." Nuance Commc'ns, Inc., 626 F.3d at 1231 (internal citations omitted). "The first two factors correspond with the 'minimum contacts' prong . . . and the third factor corresponds with the 'fair play and substantial justice' prong of the analysis." Xilinx, Inc. v. Papst Licensing GmbH & Co. KG, 848 F.3d 1346, 1353 (Fed. Cir. 2017).

[T]he determination of the reasonableness of the exercise of jurisdiction in each case will depend on an evaluation of several factors. A court must consider the burden on the defendant, the interests of the forum State, and the plaintiff's interest in obtaining relief. It must also weigh in its determination "the interstate judicial system's interest in obtaining the most efficient resolution of controversies; and the shared interest of the several States in furthering fundamental substantive social policies." World-Wide Volkswagen, 444 U.S. at 292.

Asahi Metal Indus. Co. v. Superior Court of California, Solano Cty., 480 U.S. 102, 113 (1987). “[W]here a defendant who purposefully has directed his activities at forum residents seeks to defeat jurisdiction, he must present a compelling case that the presence of some other considerations would render jurisdiction unreasonable.” Burger King Corp. v. Rudzewicz, 471 U.S. 462, 477 (1985).

### **1. Minimum Contacts**

ZURU Inc. maintains that it does not have sufficient contacts with Connecticut to justify the court’s exercise of personal jurisdiction because it conducts no sales in the United States, but rather, distribution of the ZURU Products in this country is done by ZURU, LLC; ZURU Inc.’s web presence is passive; and sale of the ZURU Products by third-party retailers does not subject ZURU Inc. to personal jurisdiction in this forum. The plaintiffs argue that ZURU, LLC is, at a minimum, an agent for ZURU Inc.; that ZURU Inc.’s web presence is highly interactive and thus creates specific jurisdiction; and that specific jurisdiction is also created as a result of sales by ZURU Inc.’s exclusive retailer, Walmart. The court agrees.

ZURU Inc. argues in its post-hearing brief that the plaintiffs have provided no evidence that ZURU, LLC is an agent for ZURU Inc. (See Def.’s Closing Arg. (ECF No. 57), at 6). “An



agent's authority may be actual or apparent." Ackerman v. Sobol Family P'ship, LLP, 298 Conn. 495, 508 (2010). "Actual authority may be express or implied." Maharishi Sch. Vedic Scis., Inc. v. Conn. Constitution Assocs. Ltd. P'ship, 260 Conn. 598, 607 (2002). "Actual authority . . . 'may be inferred from words or conduct which the principal has reason to know indicates to the agent that he is to do the act.'" Johnson v. Schmitz, 237 F. Supp. 2d 183, 190 (D. Conn. 2002) (quoting United States v. Int'l Bhd. Of Teamsters, 986 F.2d 15, 20 (2d Cir. 1993)).

"'Express authority' is sufficiently self-explanatory; should the principal direct the agent to perform on his behalf then the agent has express authority to act." Elm Haven Constr. Ltd. P'ship v. Neri Constr., LLC, No. 01-1307, 2007 WL 4105330, at \*20 (D. Conn. Nov. 16, 2007). "Implied authority is actual authority circumstantially proved. It is the authority which the principal intended his agent to possess." Maharishi, 260 Conn. at 607. "Implied authority is a fact to be proven by deductions or inferences from the manifestations of consent of the principal and from the acts of the principal and [the] agent." Id. at 608 (citation omitted).

The plaintiffs have established that ZURU, LLC has at least implied authority to act as agent for ZURU Inc. Anna Mowbray is the Chief Operating Officer for ZURU Inc. She testified that "ZURU is a family-owned group. It's a toy company and we design,

develop, market and distribute toys." Prelim. Inj. Hrg. Tr. (ECF No. 65), at 30:23. As Chief Operating Officer, Anna Mowbray's job is to oversee all of the operational aspects of the company. When asked to give "the history of the MAX Build More line" (see id., at 51:14), she stated,

We started looking into this category in early 2017. . . . In 2018 we started tooling up and looking at how we could set up our manufacturing facilities to really optimize the price point. . . . In June, around June 2018, we started manufacturing, shipping in August to Walmart for an exclusive launch on the 1<sup>st</sup> of October at Walmart here in the USA.

Id., at 51:15-52:8. When asked "[h]ow much has ZURU, LLC spent on marketing the products at issue here?" (id., at 64:25-65:1), Anna Mowbray's response was, "I'm actually not sure which entity." Id., at 65:2.

The toy industry holds an annual Toy Fair in New York City. Buyers come to the Toy Fair in order to buy toys for the next season or subsequent seasons. In 2018, the Toy Fair was held February 17-20. ZURU Inc. was registered as an exhibitor but ZURU, LLC was not. Anna Mowbray personally attended the 2018 Toy Fair and ZURU Inc. displayed MAX Build More products in its booth. Anna Mowbray also attended the Toy Fair in New York City from February 16-19, 2019. Again, the registered exhibitor was ZURU Inc., not ZURU, LLC.

Anna Mowbray testified that the sales team in the United States works for ZURU, LLC and that members of the sales team

have discussions with the "Walmart team . . . But additionally, I have as well. And when I had those meetings it would have been with additional members of my team." Id., at 69:4-7. Thus, the ZURU, LLC sales team are members of Anna Mowbray's team, even though she is the Chief Operating Officer of ZURU Inc. Also, ZURU Inc. has the ability to recall products from Walmart. (See Pls.'s Ex. 28.) Thus, while there is nothing in the record with respect to direct evidence of express actual authority, the evidence that is in the record and the reasonable inferences to be drawn from it establish that ZURU, LLC acts as the agent of ZURU Inc. for purposes of sale or distribution of the ZURU Product in the United States, and does so subject to the direction and control of ZURU Inc. Thus, the actions of both ZURU Inc. and its agent ZURU, LLC are properly considered in determining whether ZURU Inc. purposely directed its activities at residents of Connecticut and whether the claims in this case arise out of or relate to its activities in Connecticut.

ZURU Inc. argues that its web presence does not create specific jurisdiction because its web presence is passive and simply includes posts with information; and that it does not offer the ability to purchase the ZURU Products directly. See Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 1124 (W.D. Pa. 1997) ("A passive Web site that does little more than

make information available to those who are interested in it is not grounds for the exercise personal jurisdiction.”).

Courts that have considered the issue of whether web presence creates personal jurisdiction in a particular forum have categorized Internet use into three areas for the purpose of determining whether the exercise of personal jurisdiction is permitted. See VP Intellectual Properties v. IMTEC Corp., 53 U.S.P.Q.2d 1269 (D.N.J. 1999). At one end of the spectrum are cases where individuals can directly interact with a company over their Internet site, download, transmit or exchange information, and enter into contracts with the company via computer. In such cases, the exercise of jurisdiction is appropriate, particularly when combined with evidence of sales from the forum state. See CompuServe, Inc. v. Patterson, 89 F.3d 1257 (6th Cir. 1996). At the other end of the continuum are cases where the defendant has only advertised on the Internet, and where another medium such as the telephone or mail is necessary to contact the seller; in the case of such “passive” sites, personal jurisdiction usually does not lie. See Bensusan Restaurant Corp. v. King, 937 F. Supp. 295 (S.D.N.Y. 1996). The middle ground between the two extremes involves sites where parties can interact with the defendant company, but may not be able to contract with the company or make purchases over the Internet site; in such situations, most courts follow the lead of the Western District of Pennsylvania in Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119 (W.D. Pa. 1997) and determine whether jurisdiction is proper by “examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site.” 952 F. Supp. at 1124. See, e.g., Search Force v. DataForce Int'l, 112 F. Supp. 2d 771 (S.D. Ind. 2000) (noting that the Fifth, Ninth, and Tenth Circuits have relied upon the analytical framework set out in Zippo Mfg. to determine the propriety of exercising jurisdiction based on Internet activity).

On-Line Techs v. Perkin Elmer Corp., 141 F. Supp. 2d 246, 265 (D. Conn. 2001).

Here, the plaintiffs have established that ZURU Inc.’s web presence rises to a level of at least a “middle ground” of

Internet activity. Thus, ZURU Inc.'s web presence should be evaluated for the level of interactivity and commercial nature of the exchange of information that occurs as part of that web presence.

While it is technically correct to say that customers cannot go to ZURU Inc.'s website and purchase the ZURU Products directly, its web presence is far removed from being passive. As explained by the Director of Global Marketing for ZURU Inc., Renee Lee, ZURU's MAX Build More webpages funnel consumers to Walmart and Walmart.com. (See Pls.' Ex. 37.) ("We've created a cheeky, up-front brand to appeal to moms which will launch with humorous, relevant content across social and digital media--all driving to our exclusive retail partner, Walmart."). On its website, ZURU Inc. provides links to purchase MAX Build More products from exclusive retailer Walmart, the consumer can click on "BUY NOW", and the website uses Walmart company indicia, which states "BUY AT WALMART" and "Walmart. Save money. Live better." Pls.' Ex. 43, at 1-2.

In addition, ZURU Inc.'s web presence solicits interactions with consumers. ZURU Inc. demonstrates a high level of interactivity with consumers and potential customers by offering contests and giveaways. For example, it has social media posts that invite consumers to "Like MAX Build More", "TAG a friend (one entry per tag - unlimited tags!)", and "SHARE this post".

See Plaintiff's Ex. 43, at 6. ZURU Inc. responds to comments made on its social media pages. For example, in response to a comment by a consumer, "Need female figurines", ZURU Inc. responded, "We are working on building more female characters into our Figurines pack! Thanks for your feedback." Pls.' Ex. 43, at 4.

Anna Mowbray confirmed this high level of interactivity between ZURU Inc. and consumers: "ZURU, LLC interacts with customer Walmart, but ZURU Inc. will interact with our consumer, the end consumer." Prelim. Inj. Hrg. Tr. (ECF No. 65), at 87:12-14.

Thus, the level of interactivity and the commercial nature of the exchange of information that occurs throughout ZURU Inc.'s web presence is strong and establishes specific jurisdiction.

ZURU Inc. argues that "placement of a product into the stream of commerce, without more, is not an act of the defendant purposefully directed toward the forum State." In re Perrier Bottled Water Litig., 754 F. Supp. 264, 267-68 (D. Conn. 1990) (quoting Asahi Metal Indus. Co., 480 U.S. at 112). Here, however, there is much more.

In Kernan v. Kurz-Hastings, Inc., 175 F.3d 236 (2d Cir. 1999), the court concluded that "the 'exclusive sales rights' agreement constitutes the type of purposeful action sufficient

to support a finding of minimum contacts." Id. at 244. In Kernan, the court explained that the "agreement not only gave the distributor the right to sell the manufacturer's products anywhere outside of seventeen specified Asian countries, but also provided for the exchange of information relevant to product development as well as pricing information." OneBeacon Ins. Grp., 731 F Supp. 2d at 259 (quoting Kernan, 175 F.3d at 242). In OneBeacon, "the manufacturer of the allegedly defective product[] never directly transacted or solicited business in the forum State. Instead, [the manufacturer] sells its products in the United States through three distributors . . . which s[old] to individual consumers and retailers in the northeastern United States, a region that includes Connecticut." Id. at 259-60. In addition, the manufacturer provided the distributor with advertising on its website and marketing materials. The court concluded that these facts were "sufficiently analogous to Kernan so as to support the conclusion that [the manufacturer] had minimum contacts with Connecticut . . . ." Id. at 259.

Similarly, the facts here are sufficiently analogous to Kernan so as to support a conclusion that minimum contacts exist. As discussed above, ZURU Inc. has an exclusive retail relationship with Walmart for its MAX Build More products and ZURU Inc.'s social and digital media drive consumers to Walmart. In addition, as evidenced by the testimony of David Buxbaum

about what he saw in Walmart's Wallingford, Connecticut store, ZURU Inc. provides Walmart with prefabricated units (so called "tactical items") for displaying and advertising the MAX Build More line of products.

Under these circumstances, the court concludes that ZURU Inc. has sufficient minimum contacts with Connecticut to support the exercise of specific jurisdiction.

## **2. Reasonableness**

ZURU Inc. "must present a compelling case that the presence of some other considerations . . . render jurisdiction unreasonable." Burger King, 471 U.S. at 477. "The second stage of the due process inquiry asks whether the assertion of personal jurisdiction comports with 'traditional notions of fair play and substantial justice'—that is, whether it is reasonable under the circumstances of the particular case." Metro. Life Ins. Co., 84 F.3d at 568 (quoting Int'l Shoe Co. v. State of Wash., Office of Unemployment Comp. and Placement, 326 U.S. 310, 316 (1945)). "The Supreme Court has held that the court must evaluate the following factors as part of this 'reasonableness' analysis: (1) the burden that the exercise of jurisdiction will impose on the defendant; (2) the interest of the forum state in adjudicating the case; (3) the plaintiff's interest in obtaining convenient and effective relief; (4) the interstate judicial system's interest in obtaining the most efficient resolution of



the controversy; and (5) the shared interest of the states in furthering substantive social policies.” Id.

ZURU Inc. fails to meet its burden. ZURU Inc. argues that it is “faced with a severe burden in defending this case because it “does not make any sales in the U.S.A.” Def.’s Mem. in Supp. Mot. to Dismiss (ECF No. 31-1), at 11. But as discussed above, ZURU Inc. distributes the ZURU Products in United States through its agent, ZURU, LLC, and also through its exclusive retailer, Walmart. ZURU Inc. argues that there was no conduct directed to the forum, but the court has found otherwise. Finally, ZURU Inc. maintains that this proceeding cannot officially resolve the controversy because the plaintiffs have sued the wrong party, i.e. ZURU Inc. instead of ZURU, LLC, but as discussed below, that argument is unavailing.

### **III. VENUE AND REQUEST TO TRANSFER**

ZURU Inc. argues that because it is not subject to personal jurisdiction, the court should dismiss this case, or in the alternative, transfer it to the Central District of California. “The district court of a district in which is filed a case laying venue in the wrong division or district shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought.” 28 U.S.C. § 1406(a). “A civil action may be brought in . . . a judicial district in which a substantial part of the events or

omissions giving rise to the claim occurred . . . ; or [] if there is no district in which an action may otherwise be brought as provided in this section, any judicial district in which any defendant is subject to the court's personal jurisdiction with respect to such action." Id. § 1391(b)(2) and (3).

ZURU Inc. maintains that venue is improper because it is not subject to personal jurisdiction in Connecticut. However, as discussed above, the court concludes that it is. Also, as discussed by the plaintiffs in their opposition memorandum, the relevant factors also favor venue in Connecticut. See Pltf.'s Mem. in Opp. Mot. to Dismiss, ECF No. 45, at 16, n. 14.

#### **IV. ZURU, LLC IS NOT A NECESSARY AND INDISPENSABLE PARTY**

ZURU Inc. argues that this case should be dismissed for failure to join ZURU, LLC, its wholly-owned subsidiary. Rule 19(a) provides that necessary parties must be joined in the action when feasible:

- (1) Required Party. A person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party if:
  - (A) in that person's absence, the court cannot accord complete relief among existing parties; or
  - (B) that person claims an interest relating to the subject of the action and is so situated that disposing of the action in the person's absence may:
    - (i) as a practical matter impair or impede the person's ability to protect the interest; or
    - (ii) leave an existing party subject to a substantial risk

of incurring double, multiple, or otherwise inconsistent obligations because of the interest.

Fed. R. Civ. P. 19(a). The factors for a court to consider when determining whether a party is "indispensable" include:

(1) the extent to which a judgment rendered in the person's absence might prejudice that person or the existing parties; (2) the extent to which any prejudice could be lessened or avoided by: (A) protective provisions in the judgment; (B) shaping the relief; or (C) other measures; (3) whether a judgment rendered in the person's absence would be adequate; and (4) whether the plaintiff would have an adequate remedy if the action were dismissed for nonjoinder.

Fed. R. Civ. P. 19(b). "If a party does not qualify as necessary under Rule 19(a), then the court need not decide whether its absence warrants dismissal under Rule 19(b)." Viacom Int'l Inc. v. Kearney, 212 F.3d 721, 724 (2d Cir. 2000).

An agent acting on behalf of a principal is not a necessary party when a suit is brought against the principal for actions made through its agent. See Direct Energy Mktg. Ltd. v. Duke/Louis Dreyfus, LLC, 50 F. App'x 469, 472 (2d Cir. 2002). In Dreyfus, the court reasoned that "if the liability of [the defendant] depends on whether D/LD Canada acted as its agent, [the defendant]'s liability could be resolved in the plaintiff's favor or in the defendants' favor without D/LD Canada being a party to the lawsuit." Id.; see also Royal Indus. Ltd. v. Kraft Foods, Inc., 926 F. Supp. 407, 415 n.9 (S.D.N.Y. 1996) ("[I]t would be entirely counterintuitive to deem [defendant's agent]

necessary or indispensable. Assuming [the agent] were joined, [the plaintiff] would have to proceed against the two defendants on conflicting theories of liability. To prevail against [the principal], [the plaintiff] would have to establish the existence of a principal-agent relationship; to prevail against [the agent], [the plaintiff] would have to disavow the existence of any such arrangement. Rule 19 cannot reasonably be read to require a plaintiff to contradict itself at trial in such a fashion."); Campbell v. Triangle Corp., 56 F.R.D. 480, 482 (E.D. Pa. 1972) ("The absence of [the agent] as a party can in no way impede [defendants] from establishing [their] freedom from liability. . . .").

The court agrees with the plaintiffs that any activity by ZURU, LLC relevant to this case was done solely as an agent, if not as the alter ego, of ZURU Inc. and that this means that ZURU, LLC is not a necessary party to this litigation against ZURU Inc.

**V. CONCLUSION**

For the reasons set forth above, Defendant ZURU Inc.'s Motion to Dismiss (ECF No. 31) is hereby DENIED.

It is so ordered.

Dated this 8th day of July 2019, at Hartford, Connecticut.

/s/ AWT

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Alvin W. Thompson  
United States District Judge

# **Exhibit V**

1 R. Tyler Goodwyn (pro hac vice)  
2 [tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
3 DENTONS US LLP  
4 1900 K Street, NW  
5 Washington, DC 20006  
6 Telephone: 202.496.7143  
7 Facsimile: 202.496.7756

8 Michael J. Duvall (Bar No. 276994)  
9 [michael.duvall@dentons.com](mailto:michael.duvall@dentons.com)  
10 DENTONS US LLP  
11 601 South Figueroa Street, Suite 2500  
12 Los Angeles, CA 90017-5704  
13 Telephone: 213.623.9300  
14 Facsimile: 213.623.9924

15 Attorneys for Plaintiff *ZURU LLC*

16 UNITED STATES DISTRICT COURT  
17 CENTRAL DISTRICT OF CALIFORNIA

18 ZURU LLC,  
19 Plaintiff,  
20 v.  
21 LEGO A/S and LEGO JURIS A/S,  
22 Defendants.

23 Case No. 2:19-CV-00131-DSF-AFM  
24 **FIRST AMENDED COMPLAINT**  
25 **DEMAND FOR JURY TRIAL**  
26  
27  
28

1 Plaintiff ZURU LLC for its First Amended Complaint (“FAC”) against  
2 Defendants LEGO A/S (“LAS”) and LEGO Juris A/S (“LJAS”) (collectively,  
3 “LEGO”) alleges as follows:

4 **NATURE OF THE ACTION**

5 1. ZURU LLC is the United States arm of the ZURU Group, a group of  
6 family-owned toy and consumer products companies founded in Cambridge, New  
7 Zealand in 2004. The ZURU Group is one of the fastest growing toy brands in the  
8 world and is known for its agility, creativity, and new-age manufacturing  
9 techniques.

10 2. The ZURU Group designs, manufactures, markets, and sells  
11 innovative toys and consumer products. The ZURU Group produces high quality  
12 products marketed to economically disadvantaged consumers, including  
13 construction toy products such as MAX Build More and MAYKA products.

14 3. LEGO is the largest construction toy company in the world, generating  
15 billions of dollars a year in revenue, that is many times larger than the second  
16 largest construction toy company. LEGO also commands a much higher retail price  
17 for their construction toy products than competing companies.

18 4. LEGO has improperly obtained intellectual property rights directed to  
19 construction toy products and has wrongly asserted these rights against smaller  
20 construction toy companies to eliminate competition.

21 5. By this action, ZURU LLC seeks to stop LEGO’s attempts to  
22 improperly extend its intellectual property rights, and to maintain healthy  
23 competition in the construction toy market, especially for high-quality, lower cost  
24 products.

25 **PARTIES**

26 6. Plaintiff ZURU LLC is a limited liability company existing under the  
27 laws of Oregon with its principal place of business in El Segundo, California.

28 7. On information and belief, Defendant LAS is a private company with a



1 place of business located at Aastvej 1, Dk-7190, Billund, Denmark.

2 8. On information and belief, Defendant LJAS is a private company with  
3 a place of business located at Koldingvej 2, Dk-7190, Billund, Denmark.

4 **JURISDICTION AND VENUE**

5 9. This action seeks a declaratory judgment under the Declaratory  
6 Judgment Act, 28 U.S.C. §§ 2201 and 2202.

7 10. An actual controversy exists between the parties regarding LEGO's  
8 copyrights, trademarks, trade dress, and design patents referenced in this FAC.

9 11. This Court has subject matter jurisdiction over this matter pursuant to  
10 15 U.S.C. §§ 2, 15(a), 26, 1121, 28 U.S.C. §§ 1331, 1338(a) and (b), 1367, 2201,  
11 and 2202.

12 12. This Court has personal jurisdiction over LEGO by virtue of LEGO's  
13 actions directed toward transacting business in this District, and because LEGO's  
14 actions giving rise to this matter were directed at this District and caused injury to  
15 ZURU LLC in this District.

16 13. Venue is proper in this Court pursuant to 28 U.S.C. § 1391.

17 **BACKGROUND**

18 **ZURU is an Industry-Recognized Toy Innovator**

19 14. The ZURU Group has partnerships with entertainment properties,  
20 including Nickelodeon, Disney, Universal Studios, and DreamWorks; and has  
21 successfully built its own global brands such as Bunch O Balloons™, X-Shot™,  
22 Robo Alive™, MAYKA™, Fidget Cube™, Rainbocorns™, Smashers™,  
23 5 Surprise™, and Metal Machines™.

24 15. The ZURU Group has been recognized by the toy industry for its  
25 innovative products with recent awards and recognition, including the following:

- 26 • 2018 Toy of the Year (“TOTY”) award in the Active/Outdoor Toy
- 27 category for the company's Bunch O Balloons™ Filler Soaker;
- 28 • 2017 TOTY award in the Active/Outdoor Toy category for Bunch O

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Balloons™;

- The NPD Group, Inc.’s (“NPD”) Top Selling toy awards in 2018 for Fidget Cube™ in the All Other Toys super category;
- NPD’s Top Selling award for Bunch O Balloons™ in the Outdoor & Sports Toys super category;
- 2018 Mums Choice Award for Robo Alive™ Dino;
- 2018 MadeforMums Award for Rainbocorns™;
- 2018 Independent Toy Awards for Smashers™;
- 2018 Independent Toy Award for Rainbocorns™; and
- 2017 Toy & Hobby Industry for MAYKA Toy Block Tape.

16. The ZURU Group has flourished from its small beginnings in Cambridge, New Zealand and now employs more than 400 staff, has 13 offices worldwide, produces 400,000 toys a day, and supplies most major retailers in 121 countries.

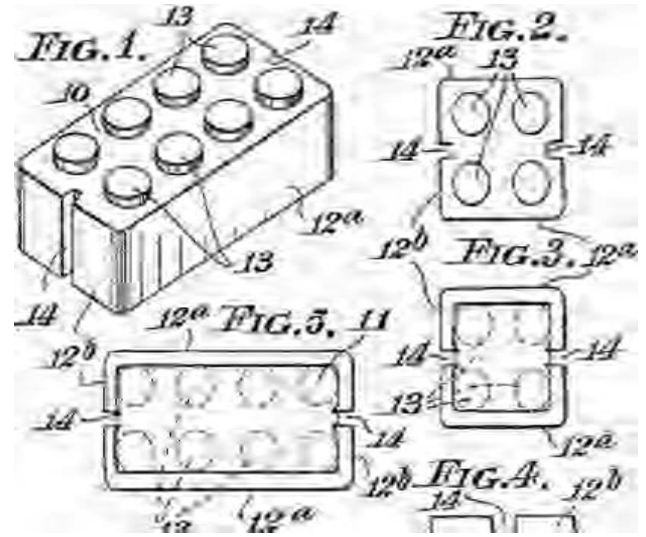
**The Long History of Construction Toys with Cylindrical Studs**

17. LEGO contends that it launched toys with cylindrical studs in 1958. Before their launch by LEGO, cylindrical studs were used as a functional element on toy construction bricks developed by Hilary “Harry” Fisher Page of KIDDICRAFT (a company in the United Kingdom) in the 1940s.

18. A box cover of the KIDDICRAFT product is shown below:



1           19. The photograph, below left shows the KIDDICRAFT bricks with  
2 cylindrical studs on each brick. Mr. Page was granted patent protection for the brick  
3 in the UK, France, and elsewhere. Figures from Mr. Page’s UK Patent No. 633,055,  
4 which Mr. Page applied for in 1945, are shown below right.



14           20. LEGO created a product almost identical to the KIDDICRAFT product  
15 configuration in a jurisdiction (Denmark) where there was no active patent  
16 protection. LEGO further modified the brick in the 1950s by adding “tubes” or  
17 secondary projections in the hollow cavity of the brick. LEGO was granted patent  
18 rights in the modified brick until the patents expired in the 1980s.

19           21. More recently, other toy manufacturers have offered construction  
20 bricks with cylindrical studs as a key functional component in their respective toy  
21 systems. These competitor products include MEGA BLOKS (acquired by Mattel),  
22 KRE-O (acquired by Hasbro), BLOCKTECH, BRICTEC, BLOKKO, and others  
23 (“Competitor Bricks”).

24           22. LEGO, ZURU, and Competitor Bricks make use of cylindrical and/or  
25 circular studs as a functional feature to ensure the interlocking of bricks, as well as  
26 on figurines to ensure not only interlocking with other pieces, but to affix  
27 accessories such as hair pieces and helmets. Furthermore, the circular/cylindrical  
28 shape of the studs is functional in several respects, including but not limited to:

1 allowing for the swiveling or slight adjustment of interlocked bricks and pieces  
2 without disturbing the interlocking of the bricks; ensuring that there are no hard  
3 edges on the studs that could hurt children. The circular studs would also require  
4 less material than alternatives, and would provide more uniform and stronger  
5 interlocking than various other, more complicated or more easily damaged shapes.

6 23. Other aspects of LEGO figurines are also functional. Hand pieces of  
7 the figurines function to hold other accessories, such as toy swords or other  
8 accessories. Other such features include but are not limited to: flat feet, allowing  
9 for more stable standing and interlocking; flat torsos, allowing for other pieces to be  
10 put in front of or behind figurines; the rotating connection between legs and torso,  
11 allowing legs to be moved more easily; and others.

12 **LEGO's Past Efforts to Improperly Extend its Construction Toy Monopoly**

13 24. Subsequent to the expiration of its brick patents, LEGO has sought to  
14 maintain its monopoly, stifle competition, maintain high prices, and eliminate  
15 customer choices by improperly asserting other alleged intellectual property rights,  
16 including trademarks, trade dress, copyrights, and design patents.

17 25. In one of the first actions in which LEGO sought trademark protection  
18 for its brick design, *Tyco Industries, Inc. v. LEGO Systems, Inc.*, 5 U.S.P.Q.2d  
19 (D.N.J. 1987), the court (Judge Brown) found that the LEGO block is “wholly  
20 functional” and denied trademark protection on that basis.

21 26. The *Tyco* court specifically referenced the functionality of the  
22 cylindrical studs on the brick surface in cooperation with the tubes on the bottom of  
23 the brick.

24 27. LEGO also sought to limit competition in other suits filed in the  
25 United States asserting patent, trademark, and copyright claims against construction  
26 toy companies, including Best-Lock Construction Toys, Inc. and Mega Brands, Inc.

27 28. Courts outside the United States have also held that LEGO cannot  
28 maintain a monopoly on a previously-patented brick feature under the guise of

1 trademark law.

2 29. LEGO has failed in its efforts to claim exclusive rights to the  
3 functional cylindrical stud element in various actions around the world. In fact,  
4 LEGO has taken contradictory positions in relation to its intellectual property, for  
5 example claiming stud elements on figurines as purely nonfunctional aesthetic  
6 elements within trademark and copyright applications, despite their functionality  
7 and despite LEGO claiming them as functional elements in patent applications.

8 30. For example, in U.S. Patent Number 9,149,733, issued October 6,  
9 2015 (“the ’733 Patent”), LEGO claimed bricks with “coupling stud[s] having a  
10 continuous abutment face shaped as a cylinder,” and a claim in which coupling  
11 studs are “essentially circular.” For an element to be protectable under a utility  
12 patent, it must be functional. Therefore, LEGO claimed in the ’733 Patent that  
13 cylindrical and/or circular studs are functional. Exhibit 1.

14 31. However, in copyright filings, including those cited by LEGO in its  
15 complaint in a lawsuit LEGO brought against a ZURU affiliate (*see LEGO A/S et*  
16 *al. v. ZURU Inc.*, 3:18-cv-02045-AWT (D. Conn.), DI 1) (“Connecticut Lawsuit”),  
17 LEGO contended these same cylindrical and/or circular studs were nonfunctional  
18 aesthetic elements. For example, Copyright Registration Numbers VA0000655230  
19 (registered in 1994) (Exhibit 2), VA0000655104 (registered in 1994) (Exhibit 3),  
20 VA 1-876-291 (registered in 2013) (Exhibit 4), VA 1-876-279 (registered in 2013)  
21 (Exhibit 5), VA 1-876-378 (registered in 2013) (Exhibit 6), VA 1-876-373  
22 (registered in 2013) (Exhibit 7) (“Cited Copyright Registrations”), cited by LEGO  
23 in its complaint, include complete LEGO Minifigures or Figurines, with no aspects  
24 of the Minifigure or Figurine disclaimed as nonfunctional, including the cylindrical  
25 and/or circular stud on top of the Minifigure’s and Figurine’s head. Copyright  
26 claims may not include such functional aspects.

27 32. Furthermore, in trademark filings, including those cited by LEGO in  
28 its complaint, LEGO included as nonfunctional features these same cylindrical

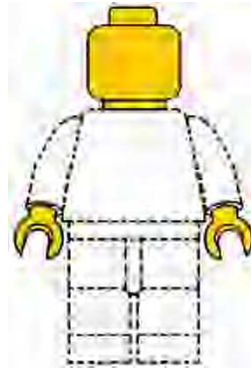
1 and/or circular studs. For example, Trademark Registration Number 4,903,968  
2 (filed February 17, 2015; published December 8, 2015; registered February 23,  
3 2016) (Exhibit 8) (“Minifigure Trademark”), cited by LEGO in its complaint,  
4 includes a complete LEGO Minifigure, with no aspects of the Minifigure  
5 disclaimed as functional, including the cylindrical and/or circular stud on top of the  
6 Minifigure’s head. Trade dress claims may not include functional aspects.

7 33. In each of these successive intellectual property applications, LEGO  
8 was under an obligation to reveal the true nature of its products and any  
9 contradictory positions that it or any governmental agency had previously taken. In  
10 its ’733 Patent application, LEGO should have revealed that it owned numerous  
11 copyright registrations that claimed studs as a non-functional feature of the  
12 copyrighted material. In its Minifigure Trademark application, LEGO should have  
13 revealed that its ’733 Patent claimed the studs as a functional feature of the patented  
14 material. Importantly, the ’733 Patent issued *while* the Minifigure Trademark  
15 application was pending and under review—LEGO had no excuse not to inform the  
16 trademark examiner for the Minifigure Trademark application of this new  
17 development. Instead, LEGO continued to make whatever statements were  
18 calculated to secure intellectual property protection in any given instance to a  
19 particular governmental agency, including making contradictory claims as to the  
20 functionality of its studs.

21 34. Furthermore, even among its various trademark applications, LEGO  
22 took contradictory positions as to functionality of various parts. In the application  
23 for Trademark Registration 4,520,327 (application filed April 5, 2013; registration  
24 April 29, 2014) (“the ’327 Trademark”) (Exhibit 9), LEGO originally claimed the  
25 hands and the stud on the head within its trademark application, as shown by the  
26 lack of dotted lines in the drawing of the figurine. This indicates a claim that these  
27 elements are non-functional.

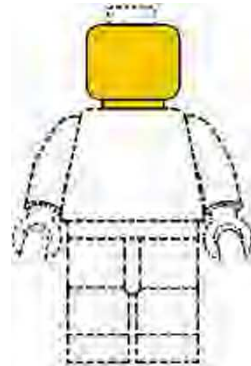
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'327 Trademark Original Claim Drawing

35. When the trademark examiner indicated that the hands and the stud on the head were functional and therefore not subject to trademark protection, LEGO responded by specifically disclaiming those aspects, stating, “Elements in the original drawing that you indicated might be functional—the cylindrical stud on the top of the figure’s head and the hands—are no longer shown in yellow in the amended drawing and are now shown in dotted lines.”

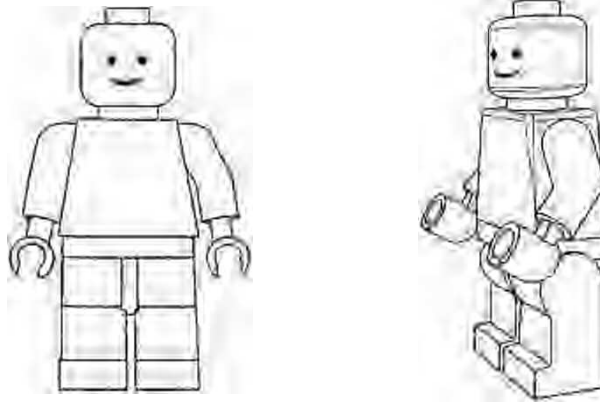


'327 Trademark Amended Claim Drawing

36. Therefore, LEGO admitted in the prosecution of the '327 Trademark application the functionality of the stud on top of the head, the hand grips, the torso, and the feet, as shown by dotted lines in the final drawing.

37. Yet the Minifigure Trademark application, filed less than a year after the '327 Trademark issued, claimed the complete minifigure, including the stud on top of the head, the hand grips, the torso, and the feet, with no aspects admitted as functional or shown in dotted lines.

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'968 Trademark Original and Amended Drawings

38. In each of these successive trademark applications, LEGO was under an obligation to reveal any contradictory positions it or the PTO had previously taken. In its Minifigure Trademark application that claimed the complete minifigure as nonfunctional, LEGO should have revealed that it had previously disclaimed many aspects of the Minifigure as functional in its '327 Trademark and that the PTO had already determined that such elements were functional. Instead, LEGO continued to make contradictory claims as to functionality in order to improperly obtain intellectual property protection to which it was not entitled.

39. It is indisputable, as shown in filings and agency and court decisions described herein, that LEGO did in fact take purposefully inconsistent positions at various time, showing willful and intentional conduct beyond simply a failure to disclose.

40. Furthermore, the applications on the Cited Copyright Registrations include a wide variety of other obviously functional aspects, including but not limited to the stud on top of the head, the hand grips, a torso with flat sides and a flat back, and flat square feet, all of which are functional. Many of these same features were also disclaimed by LEGO as functional in one of its trademark applications previously cited.

41. Despite LEGO's aggressive prosecution and litigation tactics, for at least 20 years, courts in other countries have repeatedly rejected LEGO's efforts to



1 claim exclusive rights to the functional elements of its building blocks.

2 42. Specifically, LEGO has attempted—without success—to assert  
3 exclusive rights to its cylindrical studs in France, Canada, Germany, the  
4 Netherlands, and Italy.

5 43. LEGO’s Community trademark registration for the shape of the 2x4  
6 brick, which features 8 studs, was cancelled by Europe’s highest court (the Court of  
7 Justice of the European Union) in a judgment dated September 14, 2010  
8 specifically on the basis of the functionality of the studs. LEGO’s trademark claims  
9 were also dismissed by the Supreme Court of Canada in 2005, the Supreme Court  
10 of France in 1999, the Supreme Court of Germany in 2009, the Supreme Court of  
11 Italy in 2008, and the Supreme Court of the Netherlands in 2009.

12 **ZURU’s Introduction of MAX Build More Products**

13 44. In 2018, decades after LEGO’s modified brick patents expired, the  
14 ZURU Group entered the construction toy market. The ZURU Group developed its  
15 own range of construction bricks, which it sold in sets under its MAX Build More  
16 name with a large stylized “MAX” in bold white lettering together with the  
17 “ZURU” name and colors (yellow lettering with a black outline) superimposed over  
18 a generic and functional red brick outline. This tracks ZURU’s longstanding  
19 corporate logo, depicting a stylized “ZURU” in yellow lettering superimposed over  
20 a solid red square, which has been in use since ZURU’s founding back in New  
21 Zealand in 2004.

22 45. In 2018, the ZURU Group also developed its own distinctive line of  
23 figurines to be compatible with its own MAX Build More construction bricks and  
24 other generic bricks, including LEGO bricks and Competitor Bricks. Many other  
25 toy companies and brands (including MEGA BLOKS, KRE-O, BLOCKTECH,  
26 BRICTEC, and BLOKKO) have offered their own similar figurines for use in  
27 construction play and as collectibles. The following chart shows examples of these  
28 brands along with ZURU Group’s initial MAX figurines and LEGO’s figurines.



1 VA0000655230 is limited only to “Hair Decoration,” and LEGO’s Registration No.  
2 VA0000655104 claims an entirely non-functional sculpture (work of art), not a toy  
3 with many functional features. Copies of the deposit materials maintained by the  
4 United States Copyright Office as part of the Minifigure Copyrights are attached as  
5 Exhibits 2 and 3 respectively.

6 47. On information and belief, LJAS owns the following trademark  
7 registered with the United States Patent & Trademark Office: Registration No.  
8 4,903,968 (“Minifigure Trademark”) Exhibit 8.

9 48. LEGO contends that it has common law trademark rights (“Common  
10 Law Minifigure Trademark”) in the Minifigure.

11 49. LEGO contends ZURU’s figurines in its MAX Build More 15 MAX  
12 Figures sets (“Accused Figurines”) infringe the Minifigure Copyrights and  
13 Trademarks. The Accused Figurines are not confusingly, strikingly, or  
14 substantially similar to the LEGO Minifigure figurine. A representative illustration  
15 is set forth in Exhibit 10.

16 50. The design of the Accused Figurines was modified by ZURU  
17 (“Redesigned Figurines”). The Redesigned Figurines are not confusingly,  
18 strikingly, or substantially similar to the LEGO Minifigure figurine. A  
19 representative illustration is set forth in Exhibit 11.

20 51. Neither the Accused Figurines or the Redesigned Figurines are  
21 substantially or strikingly similar to the overall look and feel of the LEGO  
22 Minifigure Copyrights.

23 52. Neither the Accused Figurines or the Redesigned Figurines are  
24 confusingly, substantially, or strikingly similar to the Minifigure Trademark or  
25 Common Law Minifigure Trademark.

26 53. LEGO contends that product packaging for the MAX Build More and  
27 MAYKA Block Tape lines of toys display images (“Accused Images”) that are  
28 confusingly similar to the LEGO Minifigure figurine.

1           54.   LEGO contends that the Accused Images are substantially similar to  
2 the overall look and feel of the Minifigure figurine.

3           55.   LEGO contends that the Accused Images appear on product packaging  
4 for the following specific products:

- 5           • MAX Build More 15 MAX Figures;
- 6           • MAX Build More Bricks Value Sets (250);
- 7           • MAX Build More Bricks Value Sets (253);
- 8           • MAX Build More Bricks Value Sets (759);
- 9           • MAX Build More Base Plate; and
- 10          • MAYKA Toy Block Tape.

11 Representative illustrations of the Accused Images are included at Exhibit 12.

12           56.   The designs of the Accused Images were modified by ZURU  
13 (“Redesigned Images”). Representative illustrations of the Redesigned Images are  
14 included at Exhibit 13.

15           57.   Neither the Accused Images or Redesigned Images are substantially  
16 similar to the overall look and feel of the Minifigure figurine. In fact, ZURU is  
17 aware of only three instances of possible confusion between any of ZURU’s  
18 products and LEGO’s products, out of thousands of social and digital media posts.  
19 Furthermore, LEGO, with an even larger social media operation than ZURU, has  
20 not submitted evidence nor even alleged any instances of actual confusion, despite  
21 having cited several social media posts in the Connecticut Lawsuit. This lack of  
22 actual confusion despite the sales of ZURU’s products is not surprising, in light of  
23 the other factors, discussed herein, that prevent confusion or reveal a lack of  
24 likelihood of confusion.

25           58.   ZURU’s packaging is also not confusingly similar to that of LEGO,  
26 because, among other reasons, the ZURU house mark and logo are displayed  
27 prominently throughout ZURU’s packaging on ZURU products. It is immediately  
28 clear to any consumer that these products come from ZURU, not LEGO.

1           59. In copyright applications including VA0000655104, LEGO Minifigure  
2 figurines were characterized as sculptures (non-functional works of art), which may  
3 have led the copyright office to analyze them under a different standard from  
4 construction toys with many functional elements. If these copyright applications  
5 had been properly characterized as construction toys rather than as works of art,  
6 many functional aspects of the toys may not have been accepted by the Copyright  
7 Office as copyrightable, whether LEGO intended this outcome or not. Copyrights  
8 including VA0000655104 may therefore be invalid in whole or in part.

9           60. Many of the aspects of the LEGO Minifigure figurines are functional,  
10 and are therefore not proper material for copyright or trademark/trade dress  
11 protection. LEGO's failure to disclose this functionality to the Patent and  
12 Trademark Office or Copyright Office, is grounds for full or partial invalidation of  
13 the copyrights and trademarks.

14           61. LEGO failed to inform the Patent and Trademark Office of previous  
15 inconsistent positions taken by LEGO, as discussed above, in relation to  
16 functionality and characteristics of its Minifigures. LEGO instead told the Patent  
17 and Trademark Office what was necessary in each instance to obtain the desired  
18 protection at the time, regardless of contradictions or inconsistencies as compared  
19 with its previous filings, as discussed above. This is grounds for full or partial  
20 invalidation of the copyrights and trademarks. LEGO also failed to disclose that  
21 other government agencies and courts had taken positions contradictory to those  
22 asserted by LEGO.

23           62. Protectable trade dress requires a specific list of features, which, when  
24 combined, act as a source identifier. LEGO Minifigure figurines are highly  
25 customizable, and can be mixed and matched, such that the overall appearance of  
26 figurines is highly variable and inconsistent. The LEGO Minifigure figurines are  
27 therefore not protectable in any single appearance under trademark law.

28           63. Moreover, because of the widely variable nature of LEGO's figurines,

1 the versions of Minifigure figurines that are found in LEGO's copyright  
2 registrations do not cover all embodiments actually used by LEGO, and do not  
3 cover any figurines that have been shown or used by ZURU.

4 64. Furthermore, LEGO Minifigures are sold in unassembled parts, so that  
5 the parts can be interchanged and not every permutation is displayed in LEGO's  
6 packaging or advertising materials. Therefore, when consumers make purchasing  
7 decisions about LEGO Minifigures, they may not be making purchasing decisions  
8 based on any particular embodiment that could possibly entail intellectual property  
9 protection for LEGO.

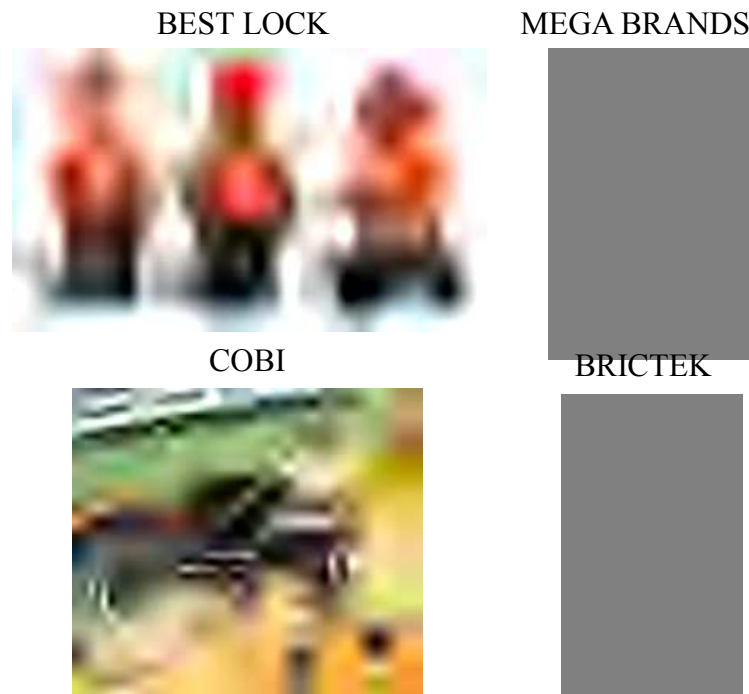
10 65. Furthermore, lists of features in LEGO's trademark registrations are  
11 legally insufficient to describe protectable trade dress. Even if the trademarks list a  
12 combination of features, ZURU's Accused Figurines and Redesigned Figurines are  
13 all different from what is shown in the trademark registrations.

14 66. Furthermore, the list of protectable elements in the LEGO trademark  
15 registrations and in any LEGO common law trade dress rights are not infringed by  
16 ZURU's Accused Images or Redesigned Images. ZURU's Accused Images and  
17 Redesigned Images are sufficiently different from any arguable list of features of the  
18 LEGO Minifigure figurines.

19 67. The features at issue for the LEGO Minifigure figurines have not  
20 acquired secondary meaning or acquired distinctiveness for purposes of trademark  
21 protection, and do not function as source identifiers. LEGO failed to adequately  
22 prove such acquired distinctiveness, and multiple competitor third parties use  
23 similar design elements. LEGO voluntarily admitted this during the prosecution of  
24 its trademark registration 4,520,327, and further identified the yellow head of the  
25 Minifigurine (not at issue here) as the distinguishing feature between its  
26 Minifigurines and competitors' figurines. LEGO therefore holds no trademark  
27 rights in its Minifigure figurines, and the corresponding trademark registrations  
28 should be invalidated in whole or in part.

1           68. The aspects of ZURU’s Accused Figurines or Accused Images that  
2 LEGO claims are infringing on LEGO’s intellectual property do not serve a  
3 trademark function as a source identifier. Such aspects of ZURU’s Accused  
4 Figurines, Redesigned Figurines, Accused Images and Redesigned Images are  
5 completely or largely functional or merely decorative, and therefore do not infringe  
6 any trade dress rights, if any, that LEGO might have.

7           69. There are numerous competitors of ZURU and LEGO who already  
8 provide a large number of similar figurines, as shown in the graphic above, who  
9 apparently have been able to coexist with LEGO on the market with little or no  
10 source confusion. This shows both lack of distinctiveness in the LEGO  
11 Minifigures, and lack of confusing similarity in other figurines, like ZURU’s. In  
12 fact, LEGO itself argued during the prosecution of its trademark registration  
13 4,520,327 that other brands of figurines were different enough from LEGO’s that  
14 LEGO should obtain trademark protection in its Minifigures. Examples of  
15 competing figurines cited by LEGO during prosecution include the following:



27 Images of Competing Figurines Cited by LEGO

28 Yet ZURU’s figurines are just as different from LEGO’s, if not more so, than these

1 other cited competitors.

2 70. Through its overly broad copyrights and trademark claims, LEGO is  
3 seeking to improperly stop ZURU from fairly competing and to obtain a monopoly  
4 on the overall concept of construction toy figures and figurines. LEGO is not  
5 claiming the kind of limited and narrow protection for specific embodiments or  
6 features as the law may allow, but has claimed improperly broad protection that is  
7 far beyond the purpose and scope of copyright and trademark law, and is therefore  
8 not enforceable or valid, in whole or in part. LEGO appears to have done this, at  
9 least in part, to improperly attempt to extend its previously expired intellectual  
10 property rights. Importantly, LEGO's attempts to stop ZURU from providing  
11 representations of ZURU's figurines and bricks on its packaging and advertising are  
12 attempts to prevent ZURU from accurately providing and identifying its own  
13 products and their features to consumers who are interested in ZURU's high  
14 quality, lower cost alternative to LEGO construction toys. This is a gross  
15 anticompetitive abuse of intellectual property laws, and an unlawful attempt to  
16 prevent fair competition, with the end result that only LEGO would be able to  
17 effectively display its products to consumers on packaging and advertising  
18 materials.

19 71. LEGO appears to have avoided filing many applications on its claimed  
20 Minifigure trademarks, and is relying heavily on common law rights, apparently  
21 because the trademark applications would have been woefully deficient, and would  
22 have created a strong record of the many deficiencies in LEGO's claimed  
23 trademark rights, along the lines described above. This is in contrast to LEGO's  
24 typically aggressive practice of filing for large numbers of intellectual property  
25 protections worldwide, including hundreds of publicly visible trademark  
26 applications, copyrights, and patents, in the United States alone.

27 **LEGO's FRIENDS Figurine Copyright Claims**

28 72. LAS claims to own the following copyrights registered with the United



1 States Copyright Office: Registration Nos. VA 1-876-291, VA 1-876-279, VA 1-  
2 876-378, and VA 1-876-373 (collectively the “Friends Copyrights”). Copies of the  
3 deposit materials maintained by the United States Copyright Office as part of the  
4 Friends Copyrights are attached as Exhibits 4, 5, 6, and 7, respectively.

5 73. LEGO contends that ZURU uses an image (“Accused Friends Image”)  
6 (Exhibit 14) on product packaging for its MAYKA Toy Block Tape that is  
7 strikingly and substantially similar to the overall look and feel of the Friends  
8 Copyrights. The Accused Friends Image is not strikingly or substantially similar to  
9 the overall look and feel of the Friends Copyrights. Regardless, the design of the  
10 product packaging for ZURU’s MAYKA Toy Block Tape was modified without  
11 including the Accused Friends Image. Exhibit 15.

12 74. In copyright applications, LEGO Friends figurines were characterized  
13 as sculptures, which may have led the copyright office to analyze them under a  
14 different standard from construction toys with many functional elements. If these  
15 copyright applications had been properly characterized as construction toys rather  
16 than as works of art, many functional aspects of the toys may not have been  
17 accepted by the Copyright Office as copyrightable, whether LEGO intended this  
18 outcome or not. LEGO Friends Copyrights may therefore be invalid, either in  
19 whole or in part.

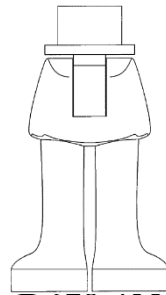
20 75. Many aspects of the LEGO Friends figurines are functional, and are  
21 therefore not proper material for copyright or trade dress protection. LEGO’s  
22 failure to disclose this functionality to the Copyright Office are grounds for full or  
23 partial invalidation of the Friends copyrights. In actuality, LEGO provided  
24 whatever was necessary in each instance to obtain the desired protection at the time,  
25 regardless of contradictions or inconsistencies.

26 76. LEGO Friends figurines are customizable, and can be mixed and  
27 matched, such that the overall appearance of figurines is variable and inconsistent,  
28 and therefore not protectable in any single appearance under copyright law.

1 Because of this, while specific elements of the versions of Friends figurines may be  
2 subject to copyright protection, the Friends Copyrights cover only certain  
3 nonfunctional elements, do not cover all embodiments actually used by LEGO, and  
4 do not cover any figurines sold by ZURU. LEGO recognized that, at best, only  
5 certain features of Friends figurines may be protectable (and not the entire figurine)  
6 and sought design patent protection on identical features in the asserted Friends  
7 copyrights.



8  
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10  
11  
12 D672,412  
13 [CR VA 1-876-291]

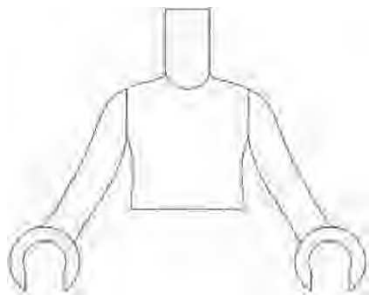


D678,432  
[CR VA 1-876-378]

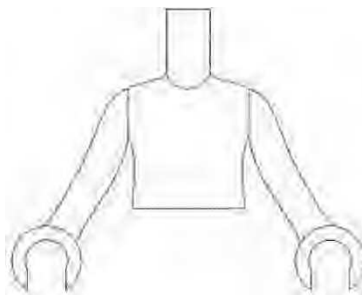


D672,411  
[CR VA 1-876-373]

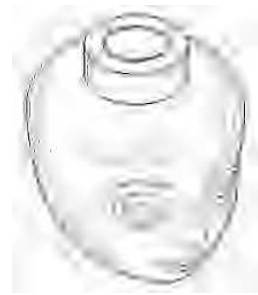
14 Here again, LEGO sought protection of functional elements, such as locking  
15 features of feet and torso. Likewise, as LEGO failed to disclose admitted functional  
16 elements in its trademark applications, discussed above, LEGO again sought an  
17 improper scope of rights and claimed functional elements in its design patents, e.g.,  
18 hands and stud on Friends figurine head.



19  
20  
21  
22  
23 D682,367



D689,567



D672,411

24 These design patents are directed to identical features as in the Asserted Friends  
25 copyrights and show that LEGO improperly seeks to claim copyright and design  
26 patent protection of functional elements and to enforce those overly broad rights  
27 against competitors.  
28



1           80.   LEGO contends that ZURU uses cylindrical protrusions and  
2 construction bricks as source identifiers that it contends are confusingly similar to  
3 LEGO’s Stud Trademarks. Specifically, LEGO alleges that the following elements  
4 on ZURU’s packaging (“Accused Packaging”) are likely to cause consumer  
5 confusion with LEGO’s Stud Trademarks:

- 6           • ZURU’s display of a two-dimensional image of a three “stud”  
7 construction brick in its MAX Build More logo used in connection  
8 with MAX Build More sets of construction toys and base plates;
- 9           • ZURU’s display of an actual sample of an eight-stud toy construction  
10 brick encased in transparent plastic attached to the packaging of MAX  
11 Build More Building Brick sets;
- 12           • ZURU’s display of a two-dimensional image showing a repeating stud  
13 pattern on the packaging of MAX Build More and MAYKA Toy  
14 Block Tape lines of construction toys;
- 15           • ZURU’s display of a two-dimensional image of lettering with  
16 cylindrical protrusions in its MAYKA logo;
- 17           • ZURU’s display of a two-dimensional image of a four stud brick on  
18 the packaging of its MAX Build More Figures; and
- 19           • ZURU’s use of a three-dimensional repeating stud pattern on the  
20 container lids of MAX Build More Building Brick sets.

21 Representative images of ZURU’s Accused Packaging are included at Exhibit 19.

22           81.   The design of Accused Packaging was modified by ZURU  
23 (“Redesigned Packaging”). Representative images of the Redesigned Packaging  
24 are included at Exhibit 20.

25           82.   As required by the USPTO, each feature of the claimed trade dress  
26 rights in LEGO’s product packaging must have acquired distinctiveness. LEGO’s  
27 aforesaid claimed trade dress rights in the LEGO Stud Trademarks do not have  
28 acquired distinctiveness, and do not function as source identifiers. LEGO failed to

1 adequately prove such acquired distinctiveness, and multiple third parties use  
2 similar design elements. Any claimed trade dress rights in LEGO's Stud  
3 Trademarks are therefore fully or partially invalid.

4 83. LEGO's Stud Trademarks are functional, and are therefore fully or  
5 partially invalid, because the studs on lids and packaging are used to inform  
6 consumers about the shapes of LEGO bricks, in the same way that photos or other  
7 images on packaging show what the contents are, or similar to how ZURU provides  
8 a sample of bricks and how LEGO, ZURU, and others use or have used pictures  
9 and images of their bricks on their packaging and advertising materials, or use lids  
10 with studs to indicate the contents of the container.

11 84. The studs on ZURU's lids are functional, in that they assist in the  
12 stacking of the containers.

13 85. ZURU does not use the patterns on its lids or packaging as source  
14 identifiers. Instead, ZURU uses the patterns to inform consumers about the shapes  
15 of its bricks and the interoperability of its bricks with other bricks, including by  
16 providing three-dimensional samples of bricks and pictures of bricks on its  
17 packaging, and by using lids with studs.

18 86. ZURU's patterns are not confusingly similar to LEGO's Stud  
19 Trademarks. In fact, ZURU is aware of only three instances of possible confusion  
20 between any of ZURU's products and LEGO's products, out of thousands of  
21 comments on social and digital media platforms. Furthermore, LEGO, with an  
22 even larger social media operation, has not submitted proof of any instances of  
23 actual confusion, nor has LEGO alleged any such actual confusion, despite having  
24 cited several social media posts in the Connecticut Lawsuit.

25 87. There are multiple competitors to ZURU and LEGO who make use of  
26 similar stud designs and examples on their product packaging and container,  
27 including lids. For example, this Mega Bloks container includes both pictures of  
28 blocks with circular studs, and a container lid that features circular studs, just like

1 the container lids used by ZURU and container lids used by LEGO.



7 Mega Bloks Container

8 88. ZURU's use of the stud patterns is also not confusingly similar to  
9 LEGO's, because, among other reasons, the ZURU house mark and logo are  
10 conspicuously displayed throughout ZURU's packaging on ZURU containers that  
11 feature the stud patterns. Similarly, the MAX mark is prominently displayed on the  
12 top face of each individual solid stud on the ZURU container lids. In contrast to any  
13 studs featured on LEGO's container lids, ZURU has four individual hollow studs  
14 on its container lid, one placed on each corner of the lid. In addition to further  
15 distinguishing the lids' appearance, the hollow studs facilitate the functionality of  
16 the lids' stacking capabilities. It is immediately clear to any consumer that these  
17 products come from ZURU, not LEGO.

18 89. Although LEGO has conceded to the USPTO that it is not claiming  
19 protection for studs on LEGO bricks themselves, LEGO's claims against ZURU are  
20 an improper and inequitable attempt to enforce intellectual property rights it does  
21 not possess on the functional stud elements.

22 90. Importantly, LEGO's attempts to stop ZURU from providing two-  
23 dimensional and three-dimensional representations of its bricks are attempts to  
24 claim non-existent and expired intellectual property rights in bricks themselves, to  
25 prevent ZURU from accurately identifying and advertising its own products and  
26 their features to consumers who are interested in ZURU's low-cost alternative to  
27 LEGO construction toys. LEGO has conceded that its bricks are not protectable.  
28 Yet if ZURU has no way of showing its own bricks on its packaging or

1 advertisements, it cannot effectively describe its own products to its own  
2 consumers, and LEGO therefore has achieved an improper (albeit baseless)  
3 monopoly on any toy construction bricks with studs. This is a gross  
4 anticompetitive abuse of intellectual property laws, and an unlawful attempt to  
5 prevent fair competition, with the end result that only LEGO would be able to  
6 effectively show its products to consumers.

7 **LEGO's Color Scheme Trade Dress Claims**

8 91. LEGO contends that it has used a color scheme consisting of the colors  
9 red, yellow, black, and white ("Color Scheme").

10 92. LEGO contends that it has common law trade dress rights in the Color  
11 Scheme ("Trade Dress").

12 93. LEGO contends that ZURU, Inc.'s display of the colors red, yellow,  
13 black, and white for its MAX Build More and MAYKA Toy Block Tape lines of  
14 toys are likely to cause consumer confusion and therefore infringe LEGO's rights in  
15 the aforementioned color scheme ("Accused Trade Dress Products").

16 Representative images of the Accused Logos--MAX Build More and MAYKA--are  
17 attached at Exhibit 21.

18 94. The Accused Logos were modified by ZURU ("Redesigned Logos").  
19 Representative images of the Redesigned Logos are included at Exhibit 22.

20 95. The ZURU Group (including its predecessor companies) has used  
21 yellow and black for its ZURU brand logo since at least 2004, with a stylized  
22 yellow "ZURU" outlined in black and superimposed on a red square, on a variety of  
23 products that long preceded the Accused Trade Dress Products.

24 96. Toy products sold by third parties in the United States often have  
25 packaging or promotional materials that use some combination of black, white,  
26 yellow, and red; such combination of colors is generic, is not distinctive of LEGO  
27 products, and is not a source identifier.

28 97. Bright colors on children's toy products in the United States are

1 functional, because they work to grab consumers' attention, and have come to  
2 represent to consumers that the product is intended for children. There is no  
3 trademark protection in these functional elements.

4 98. The Color Scheme trade dress claims by LEGO are not sufficiently  
5 narrowly defined, and include functional elements that cannot be the subject of  
6 trade dress protection.

7 99. LEGO does not own trade dress in the Color Scheme. LEGO had  
8 every chance to file for a trademark in the Color Scheme alone, as it has done  
9 hundreds of other times in relation to other elements that it asserts as protectable  
10 intellectual property. This was not an oversight. Yet LEGO did not do so, likely  
11 because it knew that it could not prevail in such a trademark application, and would  
12 have created a file history that would have negatively impacted LEGO's overly  
13 broad claims designed to hurt legitimate competition, like those at issue here. This  
14 is all part of LEGO's unlawful attempt to prevent competition to the detriment of  
15 ZURU and other competitors and the consuming public, which has a need for  
16 ZURU's high quality, lower cost alternative to LEGO's products.

17 100. LEGO's improper and inequitable attempts to stop ZURU from using  
18 its color combination or from showing and describing its products to its consumers,  
19 is just one further way in which LEGO is trying to eliminate competition by ZURU.  
20 A product that is sold using dull colors, no pictures of the products, and black and  
21 white or similar dull text, as LEGO apparently would have ZURU's products be  
22 sold, would never have the ability to effectively and fairly compete with LEGO, to  
23 the detriment of ZURU and consumers who want access to ZURU's high quality,  
24 lower cost products.

25 101. The Accused Logos and Redesigned Logos are not confusingly similar  
26 with the LEGO logo.

27 102. The Accused Logos and Redesigned Logos, and the LEGO logo are  
28 not identical.





1 110. Prior to filing the '286 application, LEGO manufactured and sold at  
2 least the following product:

- 3 • Bracket 1x2x2, Design Id. 44728, 86644 since 2002.

4 A representative image is at Exhibit 28.

5 111. LEGO intentionally withheld the design of at least this prior product  
6 from the USPTO during prosecution of the '286 application. The '328 Patent would  
7 not have been granted to LEGO had LEGO not omitted from its disclosures  
8 information on the designs of its own prior art products.

9 112. LEGO filed application 29/315,659 (“the '659 application”), for  
10 D614,707S, on or about July 14, 2009.

11 113. Prior to filing the '659 application, LEGO manufactured and sold at  
12 least the following products:

- 13 • Window 1x2x2, Item No. 7026b since 1954.
- 14 • Door Frame 1x3x4, Item No. 3579 since 1973.
- 15 • Window 1x4x3, Item No. 4033 since at least 1980.
- 16 • Window 1x2x3, Item No. 4035 since 1980.
- 17 • Window 1x4x5, Item No. 2493a since 1983.
- 18 • Window 1x4x3, Item No. 6556 since 1993.
- 19 • Window 1x4x4, Design ID 6154, 40527 since 1995.
- 20 • Window 1x2x2, Item No. 60592 since 2008.

21 Representative images are at Exhibit 29.

22 114. LEGO intentionally withheld the designs of at least these prior  
23 products from the USPTO during prosecution of the '659 application. The '707  
24 Patent would not have been granted to LEGO had LEGO not omitted from its  
25 disclosures information on the designs of its own prior art products.

26 115. LEGO contends that ZURU, Inc. manufactured, sold, offered to sell,  
27 and imported, and/or currently manufactures, sells, offers to sell, and imports in the  
28 United States certain building bricks (“Accused Bricks”) that are substantially

1 similar to the Asserted Design Patents in at least three different products:

- 2 • MAX Build More Building Bricks Value Set (759 Bricks);
- 3 • MAX Build More Building Bricks Value Set (253 Bricks); and
- 4 • MAX Build More Building Bricks Value Set (250 Pieces)

5 (collectively “MAX Build More Building Bricks Value Sets”).

6 116. LEGO contends that the MAX Build More Building Bricks Value Sets  
7 include the Accused Bricks. LEGO contends that the Accused Bricks in the MAX  
8 Build More Building Bricks Value Sets are substantially similar to the Asserted  
9 Design Patents.

10 117. The designs of the Accused Bricks were either modified or removed  
11 from the MAX product lines by ZURU (“Redesigned Bricks”). Copies of the  
12 Redesigned Bricks are included at Exhibit 30. The Redesigned Bricks are not  
13 substantially similar to the Asserted Design Patents.

14 118. Furthermore, the subjects of the LEGO Asserted Design Patents are  
15 components, such that individual combinations of them are not protected under  
16 LEGO’s Asserted Design Patents.

17 **COUNT I**  
18 **(Violation of the Sherman Act)**

19 119. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
20 if the same were set forth herein.

21 120. These claims arise under Section 2 of the Sherman Act, (15 U.S.C.  
22 § 2), and Sections 4(a) and 16 of the Clayton Act (15 U.S.C. §§ 15(a) and 26).  
23 These claims seek treble damages and injunctive and other relief arising out of  
24 LEGO’s unlawful monopolization and attempted monopolization of the U.S.  
25 market for construction toys.

26 121. The relevant product market is construction toys and the relevant  
27 geographic market is the United States. Construction toys are collections of  
28 individual pieces with interlocking features that can be connected or taken apart in a

1 number of ways.

2 122. Construction toys are not reasonably interchangeable with other types  
3 of toys. Major retailers and their customers would not substitute other types of toys  
4 in response to an increase in the price of construction toys.

5 123. There are substantial barriers which make successful entry by new  
6 brands into the construction toy market unlikely. For example, successful entry  
7 requires a high initial investment in specialized production and tooling equipment  
8 and facilities, as well as a substantial continuing investment in product  
9 development. Additional barriers to entry include entrenched buyer preferences  
10 and brand loyalty to LEGO, as well as limited retail shelf space already dominated  
11 by LEGO.

12 124. LEGO has monopoly power in the construction toy market, which  
13 includes the power to control prices and exclude competition.

14 125. According to Mr. Richard Gottlieb, a prominent toy expert, in 2017,  
15 LEGO had worldwide revenues of over \$5.6 Billion. See Exhibit 31 - LEGO  
16 Group 2017 Annual Report. The next largest competitor was Mega Bloks with  
17 approximately \$270 million construction toy revenue for 2017. See Exhibit 32 at  
18 page 6. ZURU's products compete in the construction toy market and the prices for  
19 its construction toy products are consistently and substantially lower than LEGO's  
20 prices.

21 126. LEGO has attempted to monopolize and maintain its monopoly power  
22 by improperly enforcing its fraudulently and inequitably obtained intellectual  
23 property rights against other competitors, by filing suits with knowledge that the  
24 underlying intellectual property rights are unenforceable under the circumstances.  
25 *See, e.g., Mega Brands Inc. et al v. LEGO Juris A/S et al.* 8:12-cv-0064-JVS-AN  
26 (C.D. Cal.). LEGO's exclusionary acts include but are not limited to its aggressive  
27 practice of filing for large numbers of intellectual property protections worldwide,  
28 including hundreds of publicly visible trademark applications, copyrights, and

1 patents, in the United States alone. Additional evidence of LEGO's specific intent  
2 to monopolize the construction toy market is demonstrated by LEGO's efforts to  
3 assert its fraudulently obtained intellectual property against ZURU Inc. with the  
4 resulting exclusion of ZURU's products from the United States' construction toy  
5 market.

6 127. LEGO fraudulently and inequitably obtained patent, trademark and  
7 copyright protections, including through material misrepresentations and/or  
8 fraudulent nondisclosures to the USPTO, and then knowingly and improperly  
9 asserted such invalid and/or unenforceable intellectual property rights against  
10 ZURU Inc. in the Connecticut Lawsuit. At the time LEGO filed the Connecticut  
11 Lawsuit, LEGO knew or should have known that its intellectual property rights  
12 were invalid and/or unenforceable against ZURU under these circumstances;  
13 LEGO's lawsuit was therefore in bad faith and an impermissible exclusionary act in  
14 violation of the antitrust laws.

15 128. Specifically, in order to obtain the LEGO Stud Trademarks, LEGO  
16 inequitably withheld material information regarding the stud functional elements.  
17 Instead, LEGO led the USPTO to believe that LEGO was not seeking protection for  
18 the cylindrical stud functional element, but was seeking protection only for its use  
19 as an element of product packaging--contrary to its assertion against ZURU. When  
20 the USPTO refused the Stud Trademarks for functionality, LEGO claimed that the  
21 objection "may be based on a slight mis-understanding as to the nature of the  
22 specimen" in that the "cylindrical surface features on the lid in the specimen have  
23 no functional purpose whatsoever." However, studs on lids are functional,  
24 including in the sense that they inform the consumer of the product inside. The  
25 USPTO relied on the erroneous information provided by LEGO in assessing the  
26 validity of the trademarks. LEGO knew that the trademarks were fraudulently  
27 obtained and maintained because LEGO knew that it could not legitimately assert  
28 trademark rights in an essential functional cylindrical stud element. Absent the

1 fraud, the LEGO trademarks would not have been granted--as demonstrated by  
2 LEGO's prior unsuccessful attempt to trademark its brick and the *Tyco* court's  
3 comments regarding functionality.

4 129. In order to obtain the LEGO Minifigure Trademark, LEGO withheld  
5 material information regarding the functional elements, including studs and hands.  
6 As discussed above, LEGO inequitably withheld material information from the  
7 USPTO in the prosecution of its Minifigure Trademark, including that it had  
8 claimed functional stud elements in its '733 Patent, and had admitted functionality  
9 of stud on top of the head, the hand grips, as well as the torso, legs, and the feet in  
10 its '327 Trademark application. The USPTO relied on the erroneous and  
11 incomplete information provided by LEGO in assessing the validity of the  
12 trademarks. LEGO knew that the trademark registrations (as well as its copyright  
13 registrations in its figurines) were fraudulently obtained and maintained because  
14 LEGO and its counsel knew that LEGO could not legitimately assert exclusive  
15 rights in essentially functional elements. Absent the fraud, the LEGO trademarks  
16 would not have been granted--as demonstrated by LEGO's prior unsuccessful  
17 attempt to trademark its brick and the *Tyco* court's comments regarding  
18 functionality.

19 130. In order to obtain the LEGO Asserted Design Patents, LEGO  
20 knowingly and intentionally concealed evidence of its own prior sales of similar or  
21 identical products more than one year before the applications. LEGO knew of its  
22 prior sales yet inequitably and intentionally concealed that information from the  
23 USPTO. Absent this concealment, LEGO's design patents would not have been  
24 granted.

25 131. LEGO knew or should have known at the time LEGO filed the  
26 Connecticut Lawsuit that its trademark, copyright and patent rights were invalid  
27 and/or unenforceable against ZURU under the circumstances. LEGO's lawsuit was  
28 filed with anticompetitive intent--a mere sham to cover what was actually an

1 attempt to interfere directly with the business relationships of its competitor,  
2 ZURU--to unfairly and improperly exclude ZURU from the construction toy  
3 market in the United States.

4 132. As a result of LEGO's anticompetitive conduct, a dangerous  
5 probability exists that LEGO will succeed in continuing to maintain, extend,  
6 prolong, and enlarge its monopoly power in the construction toy market. Through  
7 LEGO's baseless infringement suit, LEGO is seeking to impose the significant  
8 costs of defending this lawsuit on ZURU and improperly raising the market entry  
9 costs for ZURU. Through LEGO's efforts to use invalid or unenforceable  
10 intellectual property rights to halt competition and wrongfully stifle ZURU's entry,  
11 and growth and sales in the U.S. construction toy market, LEGO is attempting to  
12 strengthen and improperly maintain its monopoly status, causing antitrust injury to  
13 ZURU, other U.S. construction toy competitors, retailers, and consumers alike.

14 133. LEGO's actions against ZURU are evidence of its subjective intent to  
15 interfere directly with ZURU's business relationships. LEGO's purpose in  
16 knowingly asserting its fraudulently obtained and maintained and overly broad  
17 trademark, copyright, and patent rights, and seeking a TRO weeks before the  
18 Christmas holiday, was to prevent ZURU's legitimately competing products from  
19 being sold in the United States by large retail customers.

20 134. LEGO's actions have caused further competitive injury to ZURU by  
21 excluding ZURU's high quality, lower cost, innovative competing products from  
22 the market, resulting in lost past and future sales, as well as lost retail shelf space.  
23 ZURU has suffered other injury to its business and property by reason of LEGO's  
24 illegal monopolization and attempted monopolization, including but not limited to  
25 the cost of defending infringement litigation, precluded entry, and premature exit  
26 from the U.S. construction toy market.

27 135. LEGO's actions have also caused harm to competition and consumers  
28 by excluding ZURU's high quality, lower cost, innovative products from the

1 construction toy market, and forcing consumers to purchase LEGO products at  
2 supracompetitive prices. If LEGO's assertion of invalid and/or overly broad  
3 trademark, copyright, and patent rights is not stopped, LEGO will continue to seek  
4 foreclosing all competing suppliers of construction toys, resulting in higher prices  
5 to consumers and decreased innovation.

6 **COUNT II**  
7 **(Intentional Interference with Prospective Economic Advantage)**

8 136. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
9 if the same were set forth herein.

10 137. ZURU LLC has entered into economic relationships with at least one  
11 U.S. retail customer, whereby that customer placed orders for ZURU's products  
12 who wish to market those products to customers. These relationships offer a  
13 probable economic benefit to ZURU LLC.

14 138. LEGO is aware of the existence of ZURU LLC's customer  
15 relationships, and is aware ZURU seeks to deliver construction toy products to its  
16 customers. LEGO engaged in wrongful conduct designed to interfere with these  
17 relationships, by seeking to enforce invalid trademarks, copyrights, and patents  
18 with the intent of stopping ZURU from selling its products to customers.

19 139. LEGO's actions have damaged the relationships between ZURU and  
20 its customers, by interfering with ZURU's ability to fulfill orders from those  
21 customers.

22 140. ZURU has been harmed by LEGO's intentional interference with  
23 ZURU's business relationships with its customers.

24 **COUNT III**  
25 **(Invalidity of the Minifigure Copyrights)**

26 141. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
27 if the same were set forth herein.

28 142. LAS claims to be the owner of the Minifigure Copyrights.



1 143. LEGO's Minifigure figurines were intentionally mischaracterized at  
2 the Copyright Office as sculptures rather than as construction toys with many  
3 functional elements that are not copyrightable subject matter.

4 144. LEGO's Minifigures are fully or partially functional.

5 145. LEGO's Minifigures have highly variable and inconsistent  
6 appearances.

7 146. LEGO's Minifigure copyright claims are overly broad and vague.

8 147. LEGO has accused ZURU's Minifigure Figurines of infringement of  
9 these copyrights. ZURU LLC is entitled to a declaration pursuant to the Declaratory  
10 Judgment Act, 28 U.S.C. § 2201 that the Minifigure Copyrights are fully or  
11 partially invalid.

12 **COUNT IV**  
13 **(Noninfringement of the Minifigure Copyrights)**

14 148. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
15 if the same were set forth herein.

16 149. LAS claims to be the owner of the Minifigure Copyrights.

17 150. LEGO's Copyrights are not valid or enforceable in whole or in part.

18 151. ZURU's figurines are not strikingly or substantially similar to LEGO's  
19 Minifigures.

20 152. ZURU's Accused Figurines, Redesigned Figurines, Accused Images  
21 and Redesigned Images are largely functional.

22 153. LEGO has accused ZURU's Minifigure Figurines of infringement of  
23 these copyrights. ZURU LLC is entitled to a declaration pursuant to the Declaratory  
24 Judgment Act, 28 U.S.C. § 2201 that the Accused Figurines, Redesigned Figurines,  
25 Accused Images, and Redesigned Images do not infringe LEGO's Copyrights.

26 **COUNT V**  
27 **(Invalidity of the Minifigure Trademark)**

28 154. ZURU LLC incorporates the allegations in the foregoing paragraphs as

1 if the same were set forth herein.

2 155. LJAS claims to be the owner of the Minifigure Trademark.

3 156. LEGO contends that it has a Common Law Minifigure Trademark.

4 157. LEGO's Minifigures are fully or partially functional.

5 158. LEGO's Minifigures have highly variable and inconsistent  
6 appearances.

7 159. The features at issue for the LEGO Minifigures have not acquired  
8 distinctiveness, and are commonly used by third parties.

9 160. The features at issue for LEGO's Minifigures are not source  
10 identifiers.

11 161. LEGO's claimed rights in its Minifigure trademarks are overly broad  
12 and vague.

13 162. LEGO engaged in inequitable conduct when it intentionally failed to  
14 properly disclose previous contradictory positions taken by LEGO, government  
15 agencies, and courts, or at the very least had a duty to disclose functional features,  
16 instead of stating what was necessary in each filing to obtain the desired protection.

17 163. LEGO has accused ZURU's Minifigure Figurines of infringement of  
18 these trademarks. ZURU LLC is entitled to a declaration pursuant to the  
19 Declaratory Judgment Act, 28 U.S.C. § 2201 that the Minifigure Trademark and the  
20 Common Law Minifigure Trademark are each fully or partially invalid and not  
21 enforceable against ZURU LLC.

22 164. The Minifigure Trademarks and the Common Law Minifigure  
23 Trademark are fully or partially invalid and unenforceable against ZURU LLC.

24 **COUNT VI**  
25 **(Noninfringement of the Minifigure Trademark)**

26 165. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
27 if the same were set forth herein.

28 166. LJAS claims to be the owner of the Minifigure Trademark.

1 167. LEGO contends that it has a Common Law Minifigure Trademark.

2 168. The Minifigure Trademark and the Common Law Minifigure  
3 Trademark are each fully or partially invalid and unenforceable.

4 169. The Accused Figurines and Redesigned Figurines are not confusingly  
5 similar with the Minifigure Trademark.

6 170. The Accused Images and Redesigned Images are not confusingly  
7 similar with the Minifigure Trademark.

8 171. The Accused Figurines and Redesigned Figurines are not confusingly  
9 similar with the Common Law Minifigure Trademark.

10 172. The Accused Images and Redesigned Images are not confusingly  
11 similar with the Common Law Minifigure Trademark.

12 173. ZURU's Accused Figurines, Redesigned Figurines, Accused Images  
13 and Redesigned Images are largely functional.

14 174. LEGO has accused ZURU's Minifigure Figurines of infringement of  
15 these trademarks. ZURU LLC is entitled to a declaration pursuant to the  
16 Declaratory Judgment Act, 28 U.S.C. § 2201 that ZURU's Accused Figurines,  
17 Redesigned Figurines, Accused Images, and Redesigned Images do not infringe  
18 these trademarks.

19 175. The Accused Figurines, Accused Images, Redesigned Figurines and  
20 Redesigned Images do not infringe the Minifigure Trademark and/or Common Law  
21 Minifigure Trademark.

22 **COUNT VII**  
23 **(Invalidity of the Stud Trademarks)**

24 176. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
25 if the same were set forth herein.

26 177. LJAS claims to be the owner of the Stud Trademarks.

27 178. LEGO's Stud Trademarks have not acquired distinctiveness, and are  
28 commonly used by third parties.

1 179. LEGO's Stud Trademarks are not source identifiers.

2 180. LEGO's Stud Trademarks are functional.

3 181. LEGO has accused ZURU's product packaging and product lid  
4 designs of infringement of these trademarks. ZURU LLC is entitled to a declaration  
5 pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Stud  
6 Trademarks are fully or partially invalid.

7 182. The Stud Trademarks are fully or partially invalid and unenforceable  
8 against ZURU LLC.

9 **COUNT VIII**  
10 **(Noninfringement of the Stud Trademarks)**

11 183. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
12 if the same were set forth herein.

13 184. LJAS claims to be the owner of the Stud Trademarks.

14 185. The Stud Trademarks are each fully or partially invalid and  
15 unenforceable.

16 186. The Accused Packaging and Redesigned Packaging are not  
17 confusingly similar to LEGO's Stud Trademarks.

18 187. The Accused Packaging and Redesigned Packaging are a descriptive  
19 fair use.

20 188. The Accused Product packaging does not function as a source  
21 identifier, and is functional.

22 189. LEGO is asserting rights against ZURU which extend beyond its  
23 limited Stud Trademarks.

24 190. LEGO has accused ZURU's product packaging and product lid  
25 designs of infringement of these trademarks. ZURU LLC is entitled to a declaration  
26 pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Stud  
27 Trademarks are not infringed.

28 191. The Accused Packaging and Redesigned Packaging do not infringe the

1 Stud Trademarks.

2 **COUNT IX**  
3 **(Invalidity of LEGO's Color Scheme Trade Dress)**

4 192. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
5 if the same were set forth herein.

6 193. LEGO contends that it has common law Color Scheme Trade Dress  
7 rights.

8 194. The Color Scheme covered by the Trade Dress is generic and  
9 commonly used in toy packaging and promotion.

10 195. The Color Scheme covered by the Trade Dress is functional for  
11 children's toys.

12 196. Color Scheme Trade Dress claimed by LEGO are not sufficiently  
13 narrowly defined for trade dress protection. LEGO has accused ZURU logos of  
14 infringing its Color Scheme trade dress. ZURU LLC is entitled to a declaration  
15 pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Trade Dress is  
16 fully or partially invalid and unenforceable against ZURU LLC.

17 197. The Color Scheme Trade Dress is fully or partially invalid and  
18 unenforceable.

19 **COUNT X**  
20 **(Noninfringement of LEGO's Color Scheme Trade Dress)**

21 198. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
22 if the same were set forth herein.

23 199. LEGO contends that it has common law Trade Dress rights.

24 200. LEGO's Color Scheme Trade Dress is fully or partially invalid and  
25 unenforceable.

26 201. The Accused and Redesigned Trade Dress Products, and LEGO's  
27 Color Scheme Trade Dress are not confusingly similar.

28 202. The Color Scheme was used for toys well before LEGO's Trade Dress,

1 and is used in combination with other ZURU marks.

2 203. LEGO has accused ZURU logos of infringing its trade dress.  
3 ZURU LLC is entitled to a declaration pursuant to the Declaratory Judgment Act,  
4 28 U.S.C. § 2201 that its Accused Logos and Redesigned Logos, and its Accused  
5 Trade Dress Products, do not infringe LEGO's Color Scheme Trade Dress.

6 204. ZURU's Accused Trade Dress Products, and its Accused Logos and  
7 Redesigned Logos, do not infringe LEGO's alleged Color Scheme Trade Dress.

8 **COUNT XI**  
9 **(Invalidity of the Friends Figurine Copyright)**

10 205. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
11 if the same were set forth herein.

12 206. LAS claims to be the owner of the Friends Figurine Copyright.

13 207. LEGO's Friends figurines may have been mischaracterized at the  
14 Copyright Office as sculptures rather than as construction toys with many  
15 functional elements that are not copyrightable subject matter.

16 208. LEGO's Friends Figurines are fully or partially functional.

17 209. LEGO'S Friends Figurines have highly variable and inconsistent  
18 appearances.

19 210. LEGO'S claimed copyrights in its Friends Figurines are overly broad  
20 and vague.

21 211. LEGO has accused ZURU's MAYKA Toy Block Tape packaging of  
22 infringing the Friends Figurine Copyright. ZURU LLC is entitled to a declaration  
23 pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Friends  
24 Figurine Copyright is fully or partially invalid and unenforceable.

25 212. The Friends Figurine Copyright is fully or partially invalid and  
26 unenforceable.

27  
28

1 **COUNT XII**  
2 **(Noninfringement of the Friends Figurine Copyright)**

3 213. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
4 if the same were set forth herein.

5 214. LAS claims to be the owner of the Friends Figurine Copyright.

6 215. LEGO's Copyrights are not valid or enforceable.

7 216. The Accused Friends Image on the product packaging is not strikingly  
8 or substantially similar to the Friends Figurine Copyright.

9 217. LEGO has accused ZURU's MAYKA Toy Block Tape packaging of  
10 infringing the Friends Figurine Copyright. ZURU LLC is entitled to a declaration  
11 pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 that the Accused  
12 Packaging and Redesigned Packaging do not infringe.

13 **COUNT XIII**  
14 **(Invalidity of the Asserted Design Patents)**

15 218. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
16 if the same were set forth herein.

17 219. On information and belief, LAS owns the Asserted Design Patents.

18 220. LEGO has accused ZURU's Accused Bricks of infringing its Asserted  
19 Design Patents. ZURU LLC is entitled to a declaration pursuant to the Declaratory  
20 Judgment Act, 28 U.S.C. § 2201 that the Asserted Design Patents are invalid and  
21 unenforceable for inequitable conduct.

22 221. The Asserted Design Patents are each invalid under the Patent Act., 35  
23 U.S.C. § 101 et seq., including, but not limited to, Sections 102, 103, and/or 171.

24 **COUNT XIV**  
25 **(Noninfringement of the Asserted Design Patents)**

26 222. ZURU LLC incorporates the allegations in the foregoing paragraphs as  
27 if the same were set forth herein.

28 223. LAS claims to be the owner of the Asserted Design Patents.





- 1 k. a declaration that the Color Scheme Trade Dress is invalid and
- 2 unenforceable;
- 3 l. a declaration that the accused logos do not infringe and have not infringed
- 4 the Trade Dress;
- 5 m. a declaration that the Friends Figurine Copyright is invalid and not
- 6 enforceable;
- 7 n. a declaration that the Accused Images do not infringe the Friends Figurine
- 8 Copyright;
- 9 o. a declaration that the Redesigned Images do not infringe the Friends
- 10 Figurine Copyright;
- 11 p. a declaration that Asserted Design Patents are invalid and unenforceable;
- 12 q. a declaration that the Accused Bricks and Redesigned Bricks do not
- 13 infringe any of the Asserted Design Patents;
- 14 r. an award of compensatory damages sustained by ZURU LLC as a result
- 15 of LEGO's conduct alleged herein;
- 16 s. an award of treble damages sustained by ZURU as a result of LEGO's
- 17 conduct in violation of the Sherman Act;
- 18 t. an award of attorneys' fees and costs associated with this Action; and
- 19 u. any further relief as the Court deems just and proper.

20 **JURY DEMAND**

21 Pursuant to Fed. R. Civ. P. 38(b), Plaintiff ZURU LLC demands a trial by  
22 jury of all issues raised by this FAC that are triable by jury.

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Dated: April 24, 2019

DENTONS US LLP

By: /s/ Michael J. Duvall  
Michael J. Duvall (Bar No. 276994)  
[michael.duvall@dentons.com](mailto:michael.duvall@dentons.com)  
601 South Figueroa Street, Suite 2500  
Los Angeles, CA 90017-5704  
Telephone: 213.623.9300  
Facsimile: 213.623.9924

R. Tyler Goodwyn (pro hac vice)  
[tyler.goodwyn@dentons.com](mailto:tyler.goodwyn@dentons.com)  
1900 K Street, NW  
Washington, DC 20006  
Telephone: 202.496.7143  
Facsimile: 202.496.7756

Attorneys for Plaintiff *ZURU LLC*

110796308

# **Exhibit W**

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

ZURU LLC,  
Plaintiff,

v.

LEGO SYSTEMS, INC., et al.,  
Defendants.

CV 19-131 DSF (AFMx)

Order GRANTING Defendants'  
Motion to Transfer (Dkt. 48)

Defendants LEGOS A/S (LAS) and LEGO Juris A/S (LJAS) (collectively the LEGO Group or Defendants) move to transfer this case to the District of Connecticut, where a similar case was previously filed. Dkt. 48 (Mot.). In the alternative, Defendants move to dismiss the Complaint for failure to state a claim. *Id.* Plaintiff opposes the Motion. Dkt. 51 (Opp'n). The Court deems this matter appropriate for decision without oral argument. *See* Fed. R. Civ. P. 78; Local Rule 7-15. Defendants' motion to transfer is GRANTED.

**I. DISCUSSION**

Defendants seek a transfer pursuant to the first-to-file rule—a doctrine of comity that permits transfer where a substantially similar case was previously filed in another federal court. *Kohn Law Grp., Inc. v. Auto Parts Mfg. Miss., Inc.*, 787 F.3d 1237, 1239 (9th Cir. 2015); *Cedars-Sinai Med. Ctr. v. Shalala*, 125 F.3d 765, 769 (9th Cir. 1997). The rule is applied with “a view to the dictates of sound judicial administration,” *Pacesetter Sys., Inc. v.*

Medtronic, Inc., 678 F.2d 93, 95 (9th Cir. 1982), but “should not be disregarded lightly.” Alltrade, Inc. v. Uniweld Prods., Inc., 946 F.2d 622, 625 (9th Cir. 1991). Courts should strive to maximize “economy, consistency, and comity.” Kohn, 787 F.3d at 1240. To do that, a court considers the chronology of the lawsuits, the similarity of the parties, and the similarity of the issues. Id. The issues need not be identical, only substantially similar. Id. at 1240-41 (finding that the question before the second court was at the “heart” of the previously filed case). Cf. Cedars-Sinai, 125 F.3d at 769 (finding declaratory relief action regarding promulgation of rules distinct from qui tam claims).

#### **A. Chronology of the Lawsuits**

This case was filed on January 7, 2019. Dkt. 1. LEGO A/S, LEGO SYS., Inc. & LEGO Juris A/S v. ZURU Inc., 3:18-cv-02045-AWT was filed on December 13, 2018 in the District of Connecticut (the Connecticut Action). Alquist Decl., Ex. 1. Plaintiff argues this fact “should be given little to no weight” because the cases were filed close in time and are in similar procedural stages. While it is certainly a consideration, closeness in time does not preclude application of the first-to-file rule.

#### **B. Similarity of the Parties**

Exact identity of the parties is not required. “Rather, the first-to-file rule requires only substantial similarity of parties.” Kohn, 787 F.3d at 1240. It is undisputed that LAS and LJAS (the LEGO Group) are parties in both actions. ZURU LLC argues, however, that the parties are not substantially similar because (1) LEGO Systems, Inc. is a plaintiff in the Connecticut Action and is not a party to this action, and (2) LEGO Group sued ZURU Inc.—not ZURU LLC—in the Connecticut action. These arguments are unpersuasive. That Lego Systems, Inc. is no longer a party to this action but is a plaintiff in the Connecticut Action is insufficient to

preclude a finding of substantial similarity. Permitting parties to succeed on such an argument would allow a plaintiff to avoid the first-to-file rule by strategically dropping or adding one defendant. That is the precise behavior the first-to-file rule intends to prevent. Moreover, “[e]xact parallelism’ need not exist for the parties to be substantially similar.” Mack v. Amazon.com, Inc., No. CV 17-02515-AB (RAOx), 2017 WL 8220436, at \*2 (C.D. Cal. Sept. 19, 2017); PETA, Inc. v. Beyond the Frame, Ltd., No. CV 10-07576-MMM-(SSx), 2011 WL 686158 at \*2 (C.D. Cal. Feb. 16, 2011) (citing cases).

Though they are distinct entities, ZURU Inc. and ZURU LLC are substantially similar for purposes of the first-to-file rule based on the evidence submitted by the parties. ZURU Inc. is the sole member of ZURU LLC. Dkt. 52, White Decl., Ex. A at 2. In prior litigation, ZURU Ltd. represented that ZURU LLC and ZURU Inc. are among related entities that “are all closely-held-family-owned companies under common control and ownership.” Dkt. 48, Alquist Decl., Ex. 4 at 3. When determining that ZURU LLC was not a necessary party to the Connecticut Action, the Connecticut court found that any activity relevant to that action by ZURU LLC was either as ZURU Inc.’s agent, if not its alter ego. White Decl., Ex. A at 23. As discussed below, the activity relevant to the Connecticut Action forms the basis of ZURU LLC’s claims in this action. The Lego Group also submitted evidence that ZURU LLC has failed to identify any ZURU LLC witnesses, and ZURU LLC and ZURU Inc.’s initial disclosures are nearly identical for both actions. Alquist Decl., Ex. 10. ZURU LLC does not deny any of these facts or provide any contrary evidence.<sup>1</sup> The Court finds the parties are substantially similar.

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<sup>1</sup> Outside of a footnote asserting that this Court should disregard LEGO Group’s alter ego argument because it is baseless, ZURU LLC makes no

### **C. Similarity of the Issues**

To determine whether the two suits involve substantially similar issues, the Court looks at whether there is “substantial overlap” between the two suits. Kohn, 787 F.3d at 1241. The issues need not be identical. Id. at 1240.

The issues in the Connecticut action substantially overlap with this action. In the Connecticut Action, the LEGO Group sues ZURU Inc., the sole member of ZURU LLC, for intellectual property infringement and unfair trade practices. Here, ZURU LLC’s noninfringement and invalidity allegations and antitrust claim involve the same allegedly infringing products in the Connecticut Action as well as the same copyright, trademark, and patents. The heart of both actions is whether the allegedly infringing products infringe on any of LEGO Group’s intellectual property rights—and whether LEGO Group’s intellectual property rights are valid. As in Kohn, 787 F.3d at 1241, in which the Ninth Circuit found substantial similarity of issues because the defenses in one case would, at the least, substantially overlap with the issues in another case, here, the issues in this action would substantially overlap with the defenses in the Connecticut Action. ZURU LLC’s single California state law claim for tortious interference does not alter the conclusion. That claim would still involve the same underlying property rights to be decided in the Connecticut Action.

The Court finds the issues are substantially similar.

### **D. Forum Shopping**

ZURU LLC contends the first-to-file rule should not apply because forum shopping motivated the LEGO Group to file the

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arguments that the entities are not substantially similar for purposes of the first-to-file rule and submits no contrary evidence. See Opp’n at 10 n.2.

Connecticut Action. Forum shopping is a recognized exception to the first-to-file rule. See Alltrade, 946 F.3d at 628 (“Circumstances under which exceptions to the first-to-file rule typically will be made include bad faith, anticipatory suit, and forum shopping.” (internal citations omitted)). Forum shopping occurs when a plaintiff chooses a forum in order “to win a tactical advantage resulting from local laws that favor the plaintiff’s case, the habitual generosity of juries in the . . . forum district, the plaintiff’s popularity or the defendant’s unpopularity in the region, or the inconvenience and expense to the defendant resulting from litigation in that forum.” Vivendi SA v. T-Mobile USA Inc., 586 F.3d 689, 695 (9th Cir. 2009) (citation omitted).

ZURU LLC first argues LEGO Group forum shopped because it did not include ZURU LLC in the Connecticut Action. But the district judge in the Connecticut Action found ZURU LLC was not a necessary and indispensable party. White Decl., Ex. A at 23. ZURU LLC next argues that because LEGO Systems, Inc., does not own any of the intellectual property rights relevant in the Connecticut Action, its inclusion as a plaintiff in the Connecticut Action demonstrates forum shopping. The LEGO Group counters and asserts that LEGO Systems, Inc. was included as a plaintiff in the Connecticut Action because it was harmed by ZURU Inc’s sale of allegedly infringing goods. There are no other allegations supporting a finding of forum shopping. The Court declines to conclude that the LEGO Group engaged in transparent forum shopping warranting departure from the first-to-file rule based solely on the inclusion of LEGO Systems, Inc. as a plaintiff in the Connecticut Action.

#### **E. Convenience of the Parties**

ZURU LLC next contends that this Court should depart from the first-to-file rule for the convenience of the parties. A court may relax the first-to-file rule if “the balance of convenience



weighs in favor of the later-filed action.” Guthy-Renker Fitness, L.L.C. v. Icon Health & Fitness, 179 F.R.D. 264, 270 (C.D. Cal. 1998). This inquiry overlaps with the LEGO Group’s request that the action be transferred under 28 U.S.C. § 1404(a), which permits a district court to transfer “any civil action to any other district or division where it might have been brought” for “the convenience of the parties and witnesses.”

But the “Ninth Circuit has cautioned that relaxing the first-to-file rule on the basis of convenience is a determination best left to the court in the first-filed action.” Wallerstein v. Dole Fresh Vegetables, Inc., 967 F. Supp. 2d 1289, 1292 (N.D. Cal. 2013) (citing Alltrade, 946 F.2d at 628 (determining that the first-filed court should consider convenience)). The Court will not relax the rule here, especially given that the court in the Connecticut Action found the relevant factors favored venue in Connecticut and denied ZURU Inc.’s request to transfer the Connecticut Action to California. White Decl., Ex. A at 21.

## II. Conclusion

For all of the reasons above, Defendants’ motion to transfer venue to the District of Connecticut is GRANTED.<sup>2</sup>

IT IS SO ORDERED.

Date: July 22, 2019

  
Dale S. Fischer  
United States District Judge

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<sup>2</sup> Because the Court grants Defendants’ motion to transfer, it does not address Defendants’ motion to dismiss for failure to state a claim.

# **Exhibit X**

19-2122

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IN THE  
**United States Court of Appeals**  
FOR THE FEDERAL CIRCUIT

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LEGO A/S, LEGO SYSTEMS, INC., LEGO JURIS A/S,

*Plaintiffs-Appellees,*

—v.—

ZURU INC.,

*Defendant-Appellant.*

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ON APPEAL FROM THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF CONNECTICUT  
JUDGE ALVIN W. THOMPSON  
3:18-CV-02045-AWT

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**DECLARATION OF ANNA MOWBRAY IN SUPPORT OF  
APPELLANT ZURU INC.'S EMERGENCY MOTION FOR  
PARTIAL STAY OF PRELIMINARY INJUNCTION**

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TAMI LYN AZORSKY  
R. TYLER GOODWYN IV  
JOHN W. LOMAS, JR.  
DENTONS US LLP  
1900 K Street, N.W.  
Washington, DC 20006  
(202) 496-7573

*Attorneys for Defendant-Appellant  
ZURU Inc.*

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I, Anna Mowbray, declare as follows:

1. I am a director for and the Chief Operating Officer of Defendant ZURU Inc. (“ZURU”), which is a corporation incorporated under the laws of the British Virgin Islands and a Hong Kong registered company with offices in Kowloon, Hong Kong.

2. I submit this declaration in support of ZURU’s Emergency Motion for Stay of the district court’s Preliminary Injunction Order that ZURU appealed to this Court.

3. After the district court denied the motion for stay of the Preliminary Injunction Order, ZURU did not file an Emergency Motion for Stay in this Court because ZURU had decided to redesign the products to which the Preliminary Injunction applied in order to serve the interests of retailers that carried the products and the consumers that purchase the products.

4. Subsequent to the Temporary Restraining Order issued by the district court in December 2018, ZURU began to incur costs to remove the enjoined products from the market, lost millions of dollars in sales, and suffered irreparable harm to its long-standing, exceptional relationships with leading toy retailers. Accordingly, in an attempt to maintain and reestablish its positions with retailers

and consumers, ZURU made a determination to redesign its products to remove the allegedly infringing characteristics.

5. Specifically, ZURU took three steps. First, ZURU removed from its MAX BUILD MORE™ brick sets the bricks that LEGO A/S, LEGO Systems Inc., and LEGO Juris A/S (“LEGO”) alleged infringed its design patents. Second, ZURU removed from the packaging on its MAYKA tape the image on the packaging that LEGO claims infringed its copyright. Third, ZURU redesigned its MAX BUILD MORE™ action figures to make them even more distinct from LEGO’s trademark and LEGO’s copyrights, an effort that ZURU did not believe necessary but chose to undertake to maintain its position with retailers and consumers. ZURU’s good faith redesign effort included changing nearly every body part of the figure in a manner that made the figures vastly different from the figures in LEGO’s trademark and LEGO’s copyrights.

6. ZURU began selling the redesigned MAX BUILD MORE™ brick sets to Walmart stores and Walmart.com in June 2019. LEGO raised no concerns.

7. In October 2019, Walmart.com posted for sale the redesigned MAX BUILD MORE™ 15 pack of figurines. A print-out of the page on Walmart.com for the MAX BUILD MORE™ figurines as it appeared on October 28, 2019 is attached as Exhibit A. A print-out of the page on Walmart.com for LEGO’s minifigures as it appeared on October 28, 2019 is attached as Exhibit B.

8. Almost immediately, on October 16, 2019, LEGO contacted counsel for ZURU to demand that the MAX BUILD MORE™ figurines be removed from Walmart.com. Within days, ZURU filed a motion for an order that the redesigned MAX BUILD MORE™ figurines do not violate the Preliminary Injunction. LEGO then filed an emergency motion for contempt. Briefing was expedited and the district court held an evidentiary hearing on the motions on October 30, 2019.

9. Although the court has not finalized a ruling, the judge advised LEGO and ZURU in a telephone conference on Tuesday, November 5, 2019, that the district court intends to grant the motion for contempt.

10. If the district court finds that ZURU's sale of the 15 pack of redesigned action figures is contempt and requires ZURU to remove the redesigned MAX BUILD MORE™ figurines from Walmart.com and prevent Walmart stores from selling them, ZURU will suffer irreparable harm from which it will take years to recover.

11. Walmart is ZURU's exclusive retail partner for the MAX BUILD MORE™ toy line. ZURU diligently worked with Walmart to remove and donate or destroy the products covered by the Preliminary Injunction. In addition to the lost sales, the hard costs ZURU incurred for that effort exceed \$3.1 million and are still growing. These costs include Walmart's shipping costs, Walmart

administrative time to manage the removal and donation or destruction, and other related costs.

12. ZURU redesigned the MAX BUILD MORE™ figurines in good faith and has sold 1,800 units of the 15 Pack of MAX BUILD MORE™ figurines to Walmart.com which has them posted for sale on its site. ZURU has sold 109,818 units of the 15 Pack of MAX BUILD MORE™ figurines to Walmart Stores which are not yet on shelves.

13. If the units must be recalled or destroyed the lost sales for ZURU will be at least \$1,831,380. Walmart also will charge ZURU for the shipping of the product that has been shipped, which is a Walmart cost, the administrative time for Walmart to send the product for destruction and all other associated costs.

14. More importantly, removing the redesigned MAX BUILD MORE™ 15 Pack figurines from Walmart.com will destroy the relationship between Walmart and ZURU, which is a very substantial cost for ZURU. ZURU developed the MAX BUILD MORE™ toy line for Walmart to offer a construction block toy for value-conscious consumers. ZURU redesigned the MAX BUILD MORE™ figurines in order to assist Walmart in being able to continue to offer that value-conscious option even though ZURU disagreed with, and therefore appealed, the district court's Preliminary Injunction order. Walmart has informed ZURU, if the redesigned 15 Pack of figurines are recalled, Walmart will likely discontinue the


entire MAX BUILD MORE™ line, including toy building brick sets that are not accused. ZURU will potentially also lose Walmart as a customer for other toys.

15. ZURU will struggle to find another partner for the MAX BUILD MORE™ line, harming both ZURU and the underserved population for whom the line was developed. Removing the MAX BUILD MORE™ action figures from the market at the start of the holiday season will deprive underserved families of the option of purchasing an affordable product for their children.

16. The demise of its relationship with Walmart will also cause reputational harm to ZURU in the industry for the MAX BUILD MORE™ line and other toys.



I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.



---

Anna Mowbray  
Chief Operating Officer  
ZURU Inc.

Executed: November 8<sup>th</sup>, 2019

# **Exhibit A**

Walmart.com

All Departments Search

Home Account Location Cart

NextDay delivery

Delivering to 94066

Cricket Wireless LG Risio 3 16GB Prepaid Smartphon... \$49.00 [Shop Now](#)

Toys / Shop Toys by Age / Toys for Kids 2 to 4 Years / Toys for Kids 2 to 4 Years



NEW



## MAX Build More Mini Figure Set (15 Random Figures) - Major Brick Brands Compatible

★★★★★ [Write a review](#) [MAX BUILD MORE](#) Walmart # 575489785

\$9.97

Earn 5% back [Learn how](#)

Qty: 1

[Add to Cart](#)

**Free 2-day delivery** on \$35+ orders  
Arrives by Wed, Oct 30

**Free pickup Wed, Oct 30**  
Ships to San Leandro, 1919 Davis St

[More delivery & pickup options](#)

Sold & shipped by [Walmart](#)

[Add to List](#)

[Add to Registry](#)

[Tell us if something is incorrect](#)

Feedback

# **Exhibit B**

NextDay delivery  Delivering to 94066

Oculus Quest VR Gaming System - 64GB

\$399.00 - \$498.00 [Shop Now](#)


Toys / Building Sets & Blocks / LEGO / All LEGO Sets



## LEGO Minifigures Series 18: Party 71021


★★★★★ 5 reviews [LEGO](#) Walmart # 566628577


**\$4.00**

 Earn 5% back [Learn how](#)

Qty:

[Add to Cart](#)

 **\$4.99 delivery**  
Arrives by Thu, Oct 31  
**Or get it by Wed, Oct 30** with faster delivery

 Pickup not available

[More delivery & pickup options](#)


Sold & shipped by [Capital Toys](#) | [Return policy](#)

 [Add to List](#)  [Add to Registry](#)

### 3 other sellers from \$7.99

**\$7.99+** Free delivery  
Sold & shipped by [Toywiz](#)

**\$8.99+** Free delivery  
Sold & shipped by [Christy's Toy Outlet, Inc.](#)

 [Tell us if something is incorrect](#)

 Feedback

# **Exhibit Y**

**UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT**

LEGO A/S, LEGO SYSTEMS, Inc., and  
LEGO Juris A/S,

Plaintiffs,

v.

ZURU Inc.,

Defendant.

Civil Action No. 3:18-CV-2045 (AWT)

October 27, 2020

**ZURU'S NOTICE OF SUBPOENA FOR PRODUCTION OF  
DOCUMENTS TO MATTEL, INC.**

PLEASE TAKE NOTICE that, pursuant to Rule 45 of the Federal Rules of Civil Procedure, Defendant Zuru, Inc., by and through its attorneys Carmody Torrance Sandak & Hennessey LLP, will serve the attached Subpoena upon Mattel, Inc., which calls for the production of documents described in Exhibit A to the Subpoena for inspection at the offices of Court Reporting Service Center, 611 Anton Boulevard, Suite 500, Costa Mesa, CA 92626, by November 27, 2020, in accordance with the definitions and instructions set forth in the Subpoena and Exhibit A attached thereto.

Dated: New Haven, CT  
October 27, 2020

**CARMODY TORRANCE SANDAK &  
HENNESSY LLP**

By: /s/ Fatima Lahnin  
Fatima Lahnin  
Fed. Bar No. ct24096  
Carmody Torrance Sandak & Hennessy LLP  
195 Church Street  
P.O. Box 1950  
New Haven, CT 06509  
Tel.: (203) 777-5501  
Fax: (203) 784-3199  
flahnin@carmodylaw.com

and

**QUINN EMANUEL URQUHART &  
SULLIVAN LLP**

Michael T. Zeller (phv10063)  
Daniel C. Posner (phv 10604)  
865 South Figueroa Street  
10th Floor  
Los Angeles, CA 90017  
Tel: 213-443-3000  
Fax: 213-443-3100  
michaelzeller@quinnemanuel.com  
danposner@quinnemanuel.com

Cory D. Struble (phv 10564)  
51 Madison Avenue  
New York, NY 10010  
Tel: 212-849-7082  
corystruble@quinnemanuel.com

*Attorneys for Defendant Zuru, Inc.*



UNITED STATES DISTRICT COURT
for the

Plaintiff
v.
Defendant
Civil Action No. 3:18-cv-2045 (AWT)

SUBPOENA TO PRODUCE DOCUMENTS, INFORMATION, OR OBJECTS
OR TO PERMIT INSPECTION OF PREMISES IN A CIVIL ACTION

To:

(Name of person to whom this subpoena is directed)

Production: YOU ARE COMMANDED to produce at the time, date, and place set forth below the following documents, electronically stored information, or objects, and to permit inspection, copying, testing, or sampling of the material:

Place: Date and Time:

Inspection of Premises: YOU ARE COMMANDED to permit entry onto the designated premises, land, or other property possessed or controlled by you at the time, date, and location set forth below, so that the requesting party may inspect, measure, survey, photograph, test, or sample the property or any designated object or operation on it.

Place: Date and Time:

The following provisions of Fed. R. Civ. P. 45 are attached – Rule 45(c), relating to the place of compliance; Rule 45(d), relating to your protection as a person subject to a subpoena; and Rule 45(e) and (g), relating to your duty to respond to this subpoena and the potential consequences of not doing so.

Date:

CLERK OF COURT

OR

Latima Lahi

Signature of Clerk or Deputy Clerk

Attorney's signature

The name, address, e-mail address, and telephone number of the attorney representing (name of party), who issues or requests this subpoena, are:

Notice to the person who issues or requests this subpoena

If this subpoena commands the production of documents, electronically stored information, or tangible things or the inspection of premises before trial, a notice and a copy of the subpoena must be served on each party in this case before it is served on the person to whom it is directed. Fed. R. Civ. P. 45(a)(4).

Civil Action No. 3:18-cv-2045 (AWT)

**PROOF OF SERVICE**

*(This section should not be filed with the court unless required by Fed. R. Civ. P. 45.)*

I received this subpoena for *(name of individual and title, if any)* \_\_\_\_\_  
on *(date)* \_\_\_\_\_ .

I served the subpoena by delivering a copy to the named person as follows: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ on *(date)* \_\_\_\_\_ ; or

I returned the subpoena unexecuted because: \_\_\_\_\_  
\_\_\_\_\_ .

Unless the subpoena was issued on behalf of the United States, or one of its officers or agents, I have also  
tendered to the witness the fees for one day's attendance, and the mileage allowed by law, in the amount of  
\$ \_\_\_\_\_ .

My fees are \$ \_\_\_\_\_ for travel and \$ \_\_\_\_\_ for services, for a total of \$ \_\_\_\_\_ 0.00 \_\_\_\_\_ .

I declare under penalty of perjury that this information is true.

Date: \_\_\_\_\_  
\_\_\_\_\_  
*Server's signature*

\_\_\_\_\_  
*Printed name and title*

\_\_\_\_\_  
*Server's address*

Additional information regarding attempted service, etc.:

## Federal Rule of Civil Procedure 45 (c), (d), (e), and (g) (Effective 12/1/13)

### (c) Place of Compliance.

**(1) For a Trial, Hearing, or Deposition.** A subpoena may command a person to attend a trial, hearing, or deposition only as follows:

- (A) within 100 miles of where the person resides, is employed, or regularly transacts business in person; or
- (B) within the state where the person resides, is employed, or regularly transacts business in person, if the person
  - (i) is a party or a party's officer; or
  - (ii) is commanded to attend a trial and would not incur substantial expense.

**(2) For Other Discovery.** A subpoena may command:

- (A) production of documents, electronically stored information, or tangible things at a place within 100 miles of where the person resides, is employed, or regularly transacts business in person; and
- (B) inspection of premises at the premises to be inspected.

### (d) Protecting a Person Subject to a Subpoena; Enforcement.

**(1) Avoiding Undue Burden or Expense; Sanctions.** A party or attorney responsible for issuing and serving a subpoena must take reasonable steps to avoid imposing undue burden or expense on a person subject to the subpoena. The court for the district where compliance is required must enforce this duty and impose an appropriate sanction—which may include lost earnings and reasonable attorney's fees—on a party or attorney who fails to comply.

**(2) Command to Produce Materials or Permit Inspection.**

(A) *Appearance Not Required.* A person commanded to produce documents, electronically stored information, or tangible things, or to permit the inspection of premises, need not appear in person at the place of production or inspection unless also commanded to appear for a deposition, hearing, or trial.

(B) *Objections.* A person commanded to produce documents or tangible things or to permit inspection may serve on the party or attorney designated in the subpoena a written objection to inspecting, copying, testing, or sampling any or all of the materials or to inspecting the premises—or to producing electronically stored information in the form or forms requested. The objection must be served before the earlier of the time specified for compliance or 14 days after the subpoena is served. If an objection is made, the following rules apply:

- (i) At any time, on notice to the commanded person, the serving party may move the court for the district where compliance is required for an order compelling production or inspection.
- (ii) These acts may be required only as directed in the order, and the order must protect a person who is neither a party nor a party's officer from significant expense resulting from compliance.

**(3) Quashing or Modifying a Subpoena.**

(A) *When Required.* On timely motion, the court for the district where compliance is required must quash or modify a subpoena that:

- (i) fails to allow a reasonable time to comply;
- (ii) requires a person to comply beyond the geographical limits specified in Rule 45(c);
- (iii) requires disclosure of privileged or other protected matter, if no exception or waiver applies; or
- (iv) subjects a person to undue burden.

(B) *When Permitted.* To protect a person subject to or affected by a subpoena, the court for the district where compliance is required may, on motion, quash or modify the subpoena if it requires:

- (i) disclosing a trade secret or other confidential research, development, or commercial information; or

- (ii) disclosing an unretained expert's opinion or information that does not describe specific occurrences in dispute and results from the expert's study that was not requested by a party.

(C) *Specifying Conditions as an Alternative.* In the circumstances described in Rule 45(d)(3)(B), the court may, instead of quashing or modifying a subpoena, order appearance or production under specified conditions if the serving party:

- (i) shows a substantial need for the testimony or material that cannot be otherwise met without undue hardship; and
- (ii) ensures that the subpoenaed person will be reasonably compensated.

### (e) Duties in Responding to a Subpoena.

**(1) Producing Documents or Electronically Stored Information.** These procedures apply to producing documents or electronically stored information:

(A) *Documents.* A person responding to a subpoena to produce documents must produce them as they are kept in the ordinary course of business or must organize and label them to correspond to the categories in the demand.

(B) *Form for Producing Electronically Stored Information Not Specified.* If a subpoena does not specify a form for producing electronically stored information, the person responding must produce it in a form or forms in which it is ordinarily maintained or in a reasonably usable form or forms.

(C) *Electronically Stored Information Produced in Only One Form.* The person responding need not produce the same electronically stored information in more than one form.

(D) *Inaccessible Electronically Stored Information.* The person responding need not provide discovery of electronically stored information from sources that the person identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or for a protective order, the person responding must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for the discovery.

**(2) Claiming Privilege or Protection.**

(A) *Information Withheld.* A person withholding subpoenaed information under a claim that it is privileged or subject to protection as trial-preparation material must:

- (i) expressly make the claim; and
- (ii) describe the nature of the withheld documents, communications, or tangible things in a manner that, without revealing information itself privileged or protected, will enable the parties to assess the claim.

(B) *Information Produced.* If information produced in response to a subpoena is subject to a claim of privilege or of protection as trial-preparation material, the person making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information under seal to the court for the district where compliance is required for a determination of the claim. The person who produced the information must preserve the information until the claim is resolved.

**(g) Contempt.**

The court for the district where compliance is required—and also, after a motion is transferred, the issuing court—may hold in contempt a person who, having been served, fails without adequate excuse to obey the subpoena or an order related to it.

# **EXHIBIT A**

## Definitions

As used herein, the following terms shall have the meaning indicated below:

1. **“Documents”** is defined to be synonymous in meaning and equal in scope to the usage of the term “documents or electronically stored information” in Fed. R. Civ. P. 34(a)(1)(A), including images, pictures, videos, and any other format in which information can be stored. A draft or non-identical copy is a separate document within the meaning of this term. “Documents” also includes Communications and any tangible objects, things, or items.

2. **“Lego”** means Lego A/S, Lego Systems, Inc., and/or Lego Juris A/S, including any of their past or present officers, directors, employees, divisions, subsidiaries, affiliates, predecessors and successors, investors, shareholders, any joint venture to which either may be a party, contractors, consultants, representatives, agents, and accountants, including any person who served in any such capacity at any time.

3. **“You” or “Your”** means Mattel, Inc. in the broadest sense consistent with the Federal Rules of Civil Procedure, including but not limited to its officers, directors, employees, agents, attorneys, members, partners, associates, subsidiaries and affiliates, and all persons and entities acting on its behalf or as its representative agent.

4. **“And” and “or”** shall be construed either disjunctively or conjunctively as necessary to bring within the scope of the discovery request all responses that might otherwise be construed to be outside of its scope.

5. **“All,” “any,” and “each”** shall each be construed as encompassing any and all.

6. Wherever appropriate, verb tenses shall be interpreted to include past, present, and future tenses.

7. References to a gender shall be interpreted to include the masculine, feminine, and neuter.

8. The use of the singular form of any word includes the plural and vice versa.
9. The use of defined terms in these Requests apply whether or not they are capitalized.

### **Instructions**

1. The Requests are intended to cover all documents and things in Your possession, custody, or control, including any documents and things in the possession, custody, or control of any of the Restaurants. Without limitation of the terms “possession, custody, or control,” as used in the preceding sentence, a document is in Your possession, custody, or control if You have actual possession or custody or the right or practical ability to obtain the document or a copy thereof upon demand from one or more of Your affiliates, predecessors-in-interest, employers, prospective employers, employees, agents, consultants, representatives, independent contractors, advisors, attorneys, relatives, friends, and any other person or public or private entity that has actual physical possession thereof.

2. As the term “possession” relates to e-mail, the term includes all e-mail regardless of the name of the folder or directory in which it is stored and includes any “deleted” e-mail that has not been permanently deleted.

3. Pursuant to Federal Rule of Civil Procedure 45(e)(1)(b), You shall produce responsive documents as they have been kept in the usual course of business or shall organize and label them to correspondent to the enumerated requests of this demand. If You have no documents responsive to a particular category, You shall so state in writing.

4. Each Request seeks production of each document in its entirety, without abbreviation or redaction, including, without limitation, all attachments, transmittal sheets, notes, cover letters, exhibits, enclosures and all drafts and nonidentical copies of each document.

5. If You object to any Request (or portion thereof), You must state in detail the reason for the objection, and state whether any responsive documents are being withheld on the basis of the objection.

6. Your attention is directed to Rule 45(e)(2) of the Federal Rules of Civil Procedure for the information to be provided where a claim of privilege is asserted. If any document responsive to a Request is withheld from production on the basis of any claim of privilege, You are requested to submit, in lieu of any such document, a written statement: (a) identifying the nature of the privilege (including work product) which is being claimed; (b) the general subject matter of the document and a description of the file or other location where it was found; (c) the type or general nature of the document (i.e., whether it is a letter, memorandum, invoice, email, etc.) and the number of pages of which it consists; (d) the date of the document; (e) the author(s) and recipient(s) of the document; (f) the addressees of the document, and any other recipients; and (g) identifying the Request to which the document relates.

7. When only a portion of a document is believed to be privileged, the non-privileged portion shall be produced with the allegedly privileged portion redacted and indicated as such. Any attachment to an allegedly privileged document shall be produced unless You also contend that the attachment is privileged, in which case the information required herein shall be provided separately for each such attachment.

8. In the event that any document responsive to the Request was, but is no longer, in Your possession, custody, or control, or has been lost, destroyed, discarded, or otherwise disposed of, You are requested to identify such document as completely as possible, including without limitation, the following information: (a) the nature of the document, including its subject matter; (b) the person who prepared or authorized the document and, if applicable, the person to whom

the document was sent; (c) the date on which the document was prepared or transmitted; and (d) if possible, what has happened to the document or where it or any copies of it may be located, or if the document was lost or destroyed, the date on which the document was lost or destroyed, and if destroyed, the conditions of and the reasons for such destruction and the persons requesting and performing the destruction.

9. You shall take immediate steps to preserve all documents responsive to these Requests, including electronic data that may exist on backup and/or other archived electronic computerized data compilations. These measures must include, but are not limited to, discontinuation of all data destruction and backup tape recycling policies applicable to such documents.

10. You shall produce documents in response to this subpoena in accordance with the specifications set forth in the Stipulated ESI Discovery Order, Docket No. 197 in *Lego A/S, et al. v. Zuru, Inc.*, Case No. 3:18-cv-2045 (AWT) (D. Conn.), attached as Exhibit 2.



## **Requests For Production**

### **Request No. 1:**

Documents sufficient to provide a visual depiction of any Mega Construx brand figurine products manufactured, marketed, licensed, or sold by You in the U.S. that are compatible with (meaning that they attach or affix to, in one or more ways) Lego products, including copies of any product catalog, website page, or brochure that includes a visual depiction of same.

### **Request No. 2:**

Documents sufficient to identify the specifications (*e.g.*, size, dimensions, proportions, functionality) of any Mega Construx brand figurine products manufactured, marketed, licensed or sold by You that are compatible with Lego products.

### **Request No. 3:**

All communications between You and Lego (including its attorneys) that refer or relate to any Mega Construx brand figurine product manufactured, marketed, licensed or sold by You in the U.S., including but not limited to any communications requesting You to cease and desist Your sales of any such products.

### **Request No. 4:**

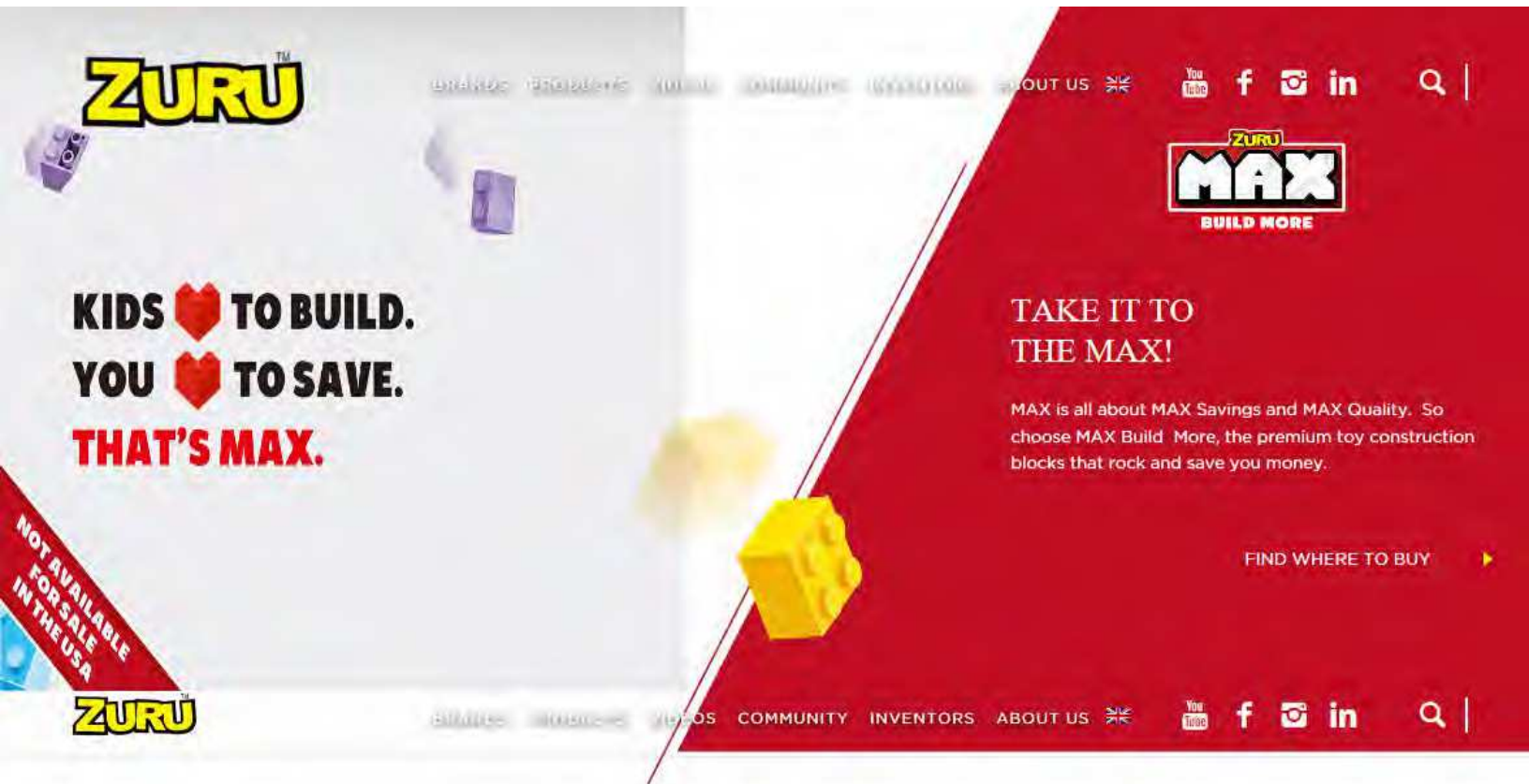
Documents sufficient to provide the product name and a visual depiction of any product manufactured, marketed, licensed or sold by You that Lego has contended infringes upon its alleged intellectual property rights, including copies of any product catalog, website page, or brochure that includes a visual depiction of same.

### **Request No. 5:**

Documents sufficient to identify all instances of which you are aware of any mistaken association or confusion by consumers, customers or the public between any Mega Construx brand

figurine product manufactured, marketed, licensed or sold by You in the U.S., on the one hand,  
and Lego or any of its products, on the other hand.

# **Exhibit Z**



FEATURED \_\_\_\_\_

I've got a

general enquiry



WRITE TO US

JOIN OUR COMMUNITY

Your Email...

SUBSCRIBE

WHERE TO BUY

OUR COMPANY

- Contact
- News
- Careers
- Compliance
- Terms of use
- Cookie Policy
- Privacy Policy
- Children's Privacy Policy

OUR WEBSITES

- Bunch O Balloons | Sparkle Girlz | X-Shot |
- Rainbocorns | Smashers | 5 Surprise | Robo
- Alive | Pets Alive | Minibrands | Max | Oosh |
- Metal Machines | Mayka | Micro Boats |
- Fidget | Shnooks | Hamsters in a House |
- Tangle