

LEGO Builds TM and Breach-of-Contract Case on Allegations that Ex-Licensee Sold LEGO-Themed USB Drives after Sell-Off Period Ended

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Danish companies LEGO Juris A/S and LEGO Systems A/S (collectively “LEGO”) have sued a Georgia-based company that it alleges is an ex-licensee that continued to sell LEGO-themed products after the expiration of a sell-off period specified in a licensing agreement.

On March 20, 2013, [LEGO](#) filed a complaint in the Northern District of Georgia against Atlanta-based [Digital Blue, Inc.](#) (“Digital Blue”) for trademark infringement, dilution, unfair competition, deceptive trade practices, and breach of contract.

LEGO’s complaint includes the following allegations:

- The parties entered into a Master Licensing Agreement (“MLA”) effective October 20, 2008, running through December 31, 2011 with “a two-year renewal option based on performance.”
- Under the MLA, Digital Blue had the right to use LEGO trademarks and associated intellectual property in connection with certain consumer electronics products such as media players, “interactive digital devices,” and MP3 players.
- One of the products that Digital Blue produced under license was a 2-gigabyte USB drive (memory stick) pictured below, utilizing LEGO “Minifigures.”
- Digital Blue did not exercise its option to renew the MLA for another term, and the parties did not otherwise agree to any extended license.
- Under the MLA, following termination, Digital Blue had the option to let LEGO buy back its remaining inventory of Minifigures in February 2012, but chose not to sell those products back to LEGO.
- The MLA permitted Digital Blue to sell off remaining licensed products, or otherwise destroy such products or hand them over to LEGO, but only during a period that expired before November 2012. That month, however, LEGO became aware of a retail store displaying for sale 8-gigabyte USB drives made from LEGO Minifigures, as shown in the image below.?

- In an e-mail dated November 14, 2012, LEGO sent an e-mail to Digital Blue requesting information about the items shown above, including a request for proof that the items shown were approved by LEGO before expiration of the sell-off period. “Digital Blue responded to the November 14 email but failed to provide such evidence.”
- On December 14, 2012, LEGO sent a cease-and-desist e-mail to Digital Blue, repeating its request for certain product information and demanding that all overdue royalties be paid immediately, but Digital Blue did not respond to that e-mail.

The complaint alleges several breaches of the MLA, among them the offering of LEGO-related merchandise after the expiration of the sell-off period, and failure to pay LEGO \$121,128.76 in royalties and interest arising from Digital Blue’s sales of licensed products in Q1 and Q2 of 2011.

LEGO requests injunctive and monetary relief, including not only treble damages and attorneys’ fees under the Lanham Act, but also “such punitive damages as the Court finds appropriate.”

The MLA, according to LEGO, has a choice-of-law provision making Danish law applicable. Thus, the last count of the complaint is specifically-titled “Breach of Contract under the Law of Denmark,” presumably to comply with an applicable rule.^[1] Under Eleventh Circuit law, “forum-selection and choice-of-law clauses ‘are presumptively valid where the underlying transaction is fundamentally international in character,’” and such a presumption may only be overcome “by a clear showing that the clauses are ‘unreasonable under the circumstances.’”^[2]

The case is **LEGO Juris A/S and LEGO Systems A/S v. Digital Blue, Inc.**, No. 1:13-cv-0878-TCB, filed 03/20/13 in U.S. District Court for the Northern District of Georgia, Atlanta Division, assigned to U.S. District Judge Timothy C. Batten.

[1] “A party who intends to raise an issue about a foreign country’s law must give notice by a pleading or other writing.” Fed. R. Civ. P. 44.1.

[2] *Lipcon v. Unterwriters at Lloyd’s, London*, 148 F.3d 1285, 1295 (11th Cir. 1998) (citations omitted) (upholding choice-of-law provision subjecting agreement to British law).