

Toymaker Drops Legal Action Against Lego

MONTREAL — Toymaker Mega Brands Inc. said Friday it has dropped its legal action against rival Lego.

The move comes after the U.S. Customs and Border Protection confirmed that it won't block imports of Mega Brands products into the United States.

Mega (TSX:MB) stock rose more than three per cent to \$8.11 in mid-morning trading on the Toronto Stock Exchange.

A week ago, Mega (TSX:MB) filed a lawsuit against Lego Juris A/S and Lego Group in a California court seeking to invalidate Lego's 1999 functional U.S. trademark, among other things.

Lego's patents for its plastic building blocks expired more than 20 years ago. Courts around the world have ruled against the Danish company's efforts to use trademark law against rivals such as Mega Brands.

Courts in France, Germany, Canada, Spain, Italy and the Netherlands have dismissed Lego efforts.

In 2010, the European Court of Justice in Luxembourg upheld a lower-court ruling that Lego's bricks can't be legally protected by trademark law because their two rows of interlocking studs are a functional, technical shape that cannot become the property of any one company.

Lego has said 40 to 60 per cent of shoppers believe they are buying a Lego product when they purchase one made by Mega Brands.

Mega Brands has prevailed in about 15 cases that have been launched by Lego around the world, including one in Canada.

The plastic blocks were the first toy manufactured by Mega Brands in 1984 and remain its bestselling product. The company won't provide sales data on the product but industry observers estimate some \$250 million worth of the plastic blocks are sold annually.

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