

Equitable Estoppel Defense Denies Lego Full Victory in Copyright Case

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The world-renowned Danish toy maker Lego has scored an important (albeit partial) win in its nearly 8-year-old copyright litigation against fellow toy maker Best-Lock Construction Toys. On July 25, 2019, Judge Haight of the U.S. District Court for the District of Connecticut issued an opinion on the parties' competing motions for summary judgment in *Lego A/S et al. v. Best-Lock Construction Toys, Inc. et al.*, No. 11-cv-01586-CSH. The order granted Lego's motion for partial summary judgment on its copyright infringement claim, Best-Lock's counterclaims, and all but one of Best-Lock's affirmative defenses; and denied Best-Lock's cross motion for summary judgment. The one 'stumbling block' for Lego was the Court's refusal to grant summary judgment on Best-Lock's affirmative defense of equitable estoppel, meaning that claim will need to be tried

before Lego can declare complete victory.

The case involved a dispute about the similarity – or lack thereof – between Lego’s “minifigure” figurines – “small, three-dimensional toys depicting people” – and Best-Lock’s minifigures, which are designed to be attached to other minifigures, including those produced by Lego. Although Best-Lock has been selling its minifigures in the United States since 1998, and although the parties had been involved in extensive litigation outside the U.S., Lego apparently never voiced any objection to Best-Lock’s U.S. sales or threatened litigation until it commenced this lawsuit in 2011. Unfortunately for Lego, that fact proved key in denying it a full victory at this stage.

Lego filed this action back in October of 2011, alleging that Best-Lock infringed two of Lego’s registered copyrights covering its minifigures (the “Lego Copyrights”). In response, Best-Lock asserted various affirmative defenses and counterclaims, claiming, among other things, that the Lego Copyrights are invalid and unenforceable; Best-Lock is entitled to a declaratory judgment of non-infringement; and Lego’s claims are barred by the doctrine of equitable estoppel.

Judge Haight first addressed Lego’s motion for copyright infringement, which claimed that Lego owns valid copyrights that cover the sculpture of its minifigures (*i.e.*, the Lego Copyrights); Best-Lock has copied the protectable elements of the minifigures; and such copying is illegal because there is a substantial similarity between Best-Lock’s figures and the protectable elements of Lego’s minifigures. The Court applied the Supreme Court’s *Feist* test, which provides that a copyright infringement plaintiff must show ownership of a valid copyright; and copying of the constituent elements of the work that are original.” The Court first held that the Lego Copyrights are valid and enforceable (and Best-Lock’s counterclaims and affirmative defenses of invalidity are without merit) because, among other things: (1) the certificates of registration give rise to a presumption that the Lego Copyrights are valid; (2) Lego’s patents on the same figurines do not rebut this presumption; (3) the fact that certain design elements in question are functional does not render the Lego Copyrights invalid; and (4) Best-Lock failed to present evidence of factual inaccuracies in Lego’s copyright applications.

Having established that the Lego Copyrights are valid, Judge Haight moved on to the more difficult issue of whether Best-Lock actually copied Lego’s protectable work and whether such copying was illegal “because substantial similarity existed between [Best-Lock’s] work and the protectable elements of [Lego’s] work.” Noting that direct evidence of copying is rare, the Court considered whether there was indirect evidence that Best-Lock had copied Lego’s minifigures. Indirect evidence of copying can be established by access to the copyrighted work and probative similarity that leads to the inference of actual copying. Judge Haight easily concluded that Best-Lock had access to Lego’s copyrighted work. Not only are Lego’s minifigures “among the most universally recognized toys in the world,” Best-Lock’s CEO had direct and personal access to Lego’s minifigures. Indeed, in a newspaper interview he likely now regrets, Best-Lock’s CEO claimed that Lego had copied bricks invented by a British psychologist in the 1940’s and admitted that he “did the [Best-Lock] figures because I want to piss [Lego] off.” Ouch! On

the issue of probative similarity, the Court held that the products at issue “are not just ‘probatively similar,’ but indistinguishable in most respects.” Accordingly, the Court found that no reasonable trier of fact could determine that Best-Lock did not actually copy Lego.

Moving on to the issue of whether Best-Lock’s copying was improper, the Court noted that, to establish illegal copying, “the court must find a substantial similarity between the *protectable* elements of the two works.” In a related principle, an infringement plaintiff “must show that the defendant appropriated the plaintiff’s particular means of expressing an idea, not merely that he expressed the same idea.” Substantial similarity may be determined by the “ordinary observer test” (*i.e.*, whether the average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work) or the “more discerning observer test” (which excludes the unprotectable elements from consideration and compares only the protectable elements for substantial similarity). While recognizing that the question of substantial similarity is usually one of fact, Judge Haight stated that it was entirely appropriate for a district court to resolve substantial similarity if the similarities “are so striking that no reasonable juror could find that the alleged infringer did not copy the plaintiff’s protected works.”

A key issue in determining the substantial similarity question was whether certain elements of the Lego minifigures were purely utilitarian (*i.e.*, functional and not protectable). Best-Lock argued that the shape of the Lego minifigures’ torso was functional because this feature “enables movement” of the minifigures’ arms. The Court rejected this argument, holding that it was the minifigure *joints* – not the shape of the torso – that enable movement, and that “[m]erely having some incidental effect on the nature of that movement, without more, does not make an element ‘functional.’” Similarly, the Court dismissed Best-Lock’s argument that the Lego minifigures’ square feet and square legs are functional, as feet and legs do not need to be square to enable a figure to stand. The Court further concluded that the elements of the Lego minifigures at issue are sufficiently original to be entitled to protection. Finally, the Court held that a comparison of the respective minifigures makes clear that Best-Lock’s minifigures “are not just similar to Lego’s minifigures—they are identical.” Thus, because Best-Lock unlawfully copied Lego’s minifigures and Lego had valid copyrights covering those minifigures, the Court concluded that Best-Lock infringed Lego’s copyrights.

That was, however, not the end of the story. Best-Lock had asserted an affirmative defense of equitable estoppel, arguing that Lego’s long-standing tolerance of Best-Lock’s U.S. sales barred Lego from now asserting a claim for copyright infringement. As the Court explained, the elements of an equitable estoppel defense are: (1) knowledge by the plaintiff of the defendant’s infringing acts; (2) the plaintiff’s intention that the defendant rely on its acts or omissions or the defendant’s right to believe that it was intended to rely on the plaintiff’s conduct; (3) the defendant’s ignorance of the true facts; and (4) the defendant’s detrimental reliance on the plaintiff’s conduct. Lego conceded that the first element of the test was satisfied. With respect to the second element, the Court held that Lego’s history of litigation and threatened litigation outside the U.S., coupled with its failure to even threaten litigation in the U.S. until it brought this suit in

2011, “raises a genuine issue of material fact as to whether Best-Lock was ‘misled into reasonably and justifiably believing’ that ‘Lego would not pursue its claims.” The Court also concluded that the evidence presented by Best-Lock raises a triable issue of fact as to whether Best-Lock was aware that Lego owned copyrights in the Lego minifigures. Finally, the Court held that it was reasonable to infer that Best-Lock’s investment and growth in the U.S. “was an affirmative business decision at least partially driven by Lego’s actions and inaction” (*i.e.*, Best-Lock detrimentally relied on Lego’s conduct). In light of the foregoing, the Court held that Lego was not entitled to summary judgment on Best-Lock’s equitable estoppel claim, and that the availability of that defense would be resolved at a plenary bench trial.

Lego has to be pleased with the overall result, which came after nearly eight years of hard-fought litigation. However, the fact that Lego did not achieve full victory at this stage should serve as a cautionary tale for other IP holders. The lesson is: if you think someone is infringing your IP rights and you don’t take any action to stop that infringement, you run the risk that any claims you later assert against the infringer may be barred by equitable estoppel. Put simply, make sure you police your IP carefully!