

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MELISSA & DOUG, LLC,

Plaintiff,

-against-

SCHOLASTIC CORPORATION,
MAKE BELIEVE IDEAS, LTD., and
KLUTZ CORPORATION,

Defendants.

x

:

: Case No. 1:22-cv-06314

: Amended Complaint for Patent
Infringement

:

Jury Trial Demanded

:

:

x

AMENDED COMPLAINT

Plaintiff Melissa & Doug, LLC (“Melissa & Doug” or “Plaintiff”) by and for its Complaint against Defendants Scholastic Corporation (“Scholastic”), Make Believe Ideas, Ltd. (“Make Believe”), and Klutz Corporation (“Klutz”) (collectively, “Defendants”) hereby alleges as follows:

Nature of the Case

1. This is an action for patent infringement arising under the laws of the United States of America. Melissa & Doug owns United States Patent Number 7,771,200 (the “200 Patent”) entitled “Devices with Push Button-Type Mechanism and Methods for Using Said Devices.” Defendants have infringed and, despite notice from Plaintiff, are continuing to infringe the 200 Patent by making, using, importing, selling, and offering to sell a line of children’s board books that incorporate one or more push-button mechanisms that provide a clicking and/or popping noise.

2. Defendants’ actions are unlawfully infringing upon Melissa & Doug’s exclusive patent rights and are unfairly interfering with its ability to market and sell children’s books that practice the 200 Patent, causing Melissa & Doug significant and irreparable damages. Defendants have continued willfully infringing the 200 Patent after notice from Melissa & Doug, and have,

upon information and belief, expanded their infringement without justification. Melissa & Doug seeks compensatory and enhanced damages, interest, attorneys' fees and costs, and injunctive relief to end Defendants' infringement.

3. In the alternative, Melissa & Doug seeks (a) a declaratory judgment enforcing the parties' settlement agreement that they negotiated and reached during the pendency of this action; and (b) damages caused by Defendants' breach of the settlement agreement.

Parties

4. Melissa & Doug is a limited liability company organized under the laws of the State of Delaware and has its principal place of business at 10 Westport Road, Wilton, Connecticut.

5. Scholastic is a corporation organized under the laws of the State of Delaware and has its principal place of business at 555 Broadway, New York, New York.

6. Make Believe is a corporation organized under the laws of the United Kingdom and has its registered office and principal place of business at The Wilderness, Berkhamsted, Hertfordshire, HP4 2AZ in England. Upon information and belief, Scholastic is the parent corporation of Make Believe.

7. Klutz is a corporation organized under the laws of the State of California and has its principal place of business at 1450 Veteran's Boulevard, Suite 100, Redwood City, California. Upon information and belief, Scholastic is the parent corporation of Klutz. Scholastic also holds out Klutz as one of its "trade publishing imprints"¹ and a "division of Scholastic, the world's largest publisher and distributor of children's books."² Klutz has a regular and established place of business at 557 Broadway, New York, New York.

¹ <https://www.scholastic.com/aboutscholastic/imprints/>

² <http://mediaroom.scholastic.com/klutz>

Jurisdiction and Venue

8. This is an action for patent infringement arising under the patent laws of the United States of America, more specifically the Patent Act, 35 U.S.C. § 100, *et seq.* This Court has jurisdiction over the subject matter under 35 U.S.C. §§ 1331 & 1338.

9. The Court has declaratory and supplemental jurisdiction under 28 U.S.C. § 2201, 28 U.S.C. § 1367(a), and the Court's inherent authority to control the conduct of cases before it, over Plaintiff's Second and Third Causes of Action seeking a declaratory judgment enforcing the parties' settlement agreement concerning the dispute herein and related monetary damages for the breach of the settlement agreement.

10. The Court has general personal jurisdiction over Scholastic because it resides in the State of New York. In addition, upon information and belief, Scholastic has committed acts of infringement in this District and has a regular and established place of business in this District. Venue properly lies within this District with respect to Scholastic under 28 U.S.C. §§ 1391(b), (c), and (d) and 1400(b).

11. The Court has personal jurisdiction over Make Believe because, through its own acts and/or through the acts of its affiliated companies (acting as its agents, distributors, and/or retailers), Make Believe has made, used, imported, sold, and/or offered to sell products infringing the 200 Patent within this District and throughout the United States, including through regular and established distribution channels. Plaintiff's cause of action arises directly from Defendants' contacts and other activities in the State of New York and in this District. Make Believe is a foreign corporation, and venue is proper in this District insofar as it is subject to the personal jurisdiction of this Court.

12. The Court has personal jurisdiction over Klutz because, through its own acts and/or through the acts of its affiliated companies (acting as its agents, distributors, and/or retailers), Klutz has made, used, imported, sold, and/or offered to sell products infringing the 200 Patent within this District and throughout the United States, including through regular and established distribution channels. Klutz has a regular and established place of business within this District. Venue properly lies within this District with respect to Klutz under 28 U.S.C. §§ 1391(b), (c), and (d) and 1400(b).

Factual Background

A. Defendants' Infringement of the 200 Patent

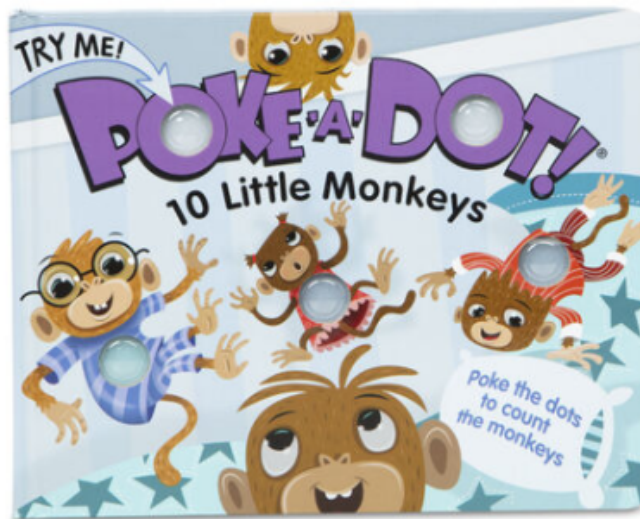
13. Melissa & Doug manufactures, markets, and sells toys and pretend play sets for children that are timeless, with endless possibilities, and nurture the imagination of children. After starting up in 1988, Melissa & Doug quickly became well known in the United States and throughout the world for providing high-quality, innovative, and educational products that spark the imagination of children and foster open ended, free play. Today, the company is a leading innovator in the toy industry.

14. Melissa & Doug is the assignee and owner of all right, title and interest to the 200 Patent, which was duly issued by the United States Patent & Trademark Office on August 10, 2010. A true and accurate copy of the 200 Patent is appended hereto as Exhibit A.

15. The 200 Patent is entitled "Devices with Push Button-Type Mechanism and Methods for Using Said Devices." The invention covered by the 200 Patent is described in its 41 claims. These include independent Claim 8, which confers on Melissa & Doug exclusive rights to make, use, import, sell, and offer to sell books as follows:

8. A book comprising:
 a front cover;
 a back cover;
 at least one leaf between said front cover and back cover, and
 a binding, wherein at least one of said front cover, back cover,
 and the at least one said leaf contains a front having at least
 one window and a back having at least one window, with the
 proviso that the front and back windows are located at a
 position that correspond to each other, and the front and back
 are adhered to one another; and,
 wherein at least one of said window(s) comprises a push
 button mechanism, said push button mechanism having at
 least one button that is operable between two variable posi-
 tions and is accessible through the front and back windows,
 and wherein the push button mechanism is made of a material
 that provides a clicking and/or popping noise when the posi-
 tion is changed.

16. Melissa & Doug has enjoyed the benefits of the exclusive rights conferred by the invention claimed in the 200 Patent. Melissa & Doug sells a variety of entertaining and educational children's books that practice its invention under its Poke-A-Dot!® line of children's books, which have found commercial success in the marketplace. The following is an example of such books:



17. However, Scholastic, Make Believe, and Klutz have engaged in the design, manufacture, use, importation, marketing, sale, and offer for sale of a line of children's board books incorporating one or more push button mechanisms that infringe on the invention claimed by the 200 Patent (the "Accused Products") and that unlawfully interfere with Melissa & Doug's enjoyment of the exclusive rights conferred by the 200 Patent.

18. The Accused Products vary slightly in design and in the content of the books. However, by way of non-limiting example, Make Believe and Scholastic infringe the 200 Patent by making, using, importing, selling, and offering for sale a book entitled “The Pop Pets,” which includes several, single-button, push button mechanisms, as shown below:



19. Other examples of the Accused Products include, without limitation, “Never Pop A Dinosaur” and “Never Pop a Unicorn,” which are made, used, imported, sold, and offered for sale by Make Believe and Scholastic. “Never Pop A Dinosaur,” for example, includes a multi-button, push-button mechanism coupled in a window in the back-cover of the book, but accessible through windows in other pages of the book, as shown below:



20. Another example of the Accused Products includes, without limitation, the “Klutz Pop-It! Challenge Activity Book,” which is made, used, imported, sold, and offered for sale by Klutz and Scholastic. “Klutz Pop-It! Challenge Activity Book,” for example, includes a multi-button, push-button mechanism coupled in a window in the back-cover of the book, as shown below:



21. All of the Accused Products infringe one or more claims of the 200 Patent, including, but not limited to, Claim 8.

22. With reference to Claim 8, the Accused Products have a front cover, a back cover, at least one leaf between the front cover and back cover, and a binding.

23. With further reference to Claim 8, in all of the Accused Products, the front cover, the back cover, and/or at least one leaf contains a front having at least one window and a back having at least one window. The front and back are adhered to one another and the windows are located at a position that correspond to each other. In “The Pop Pets,” for example, at least the front cover has a front and a back adhered to one another and both have a window located at a position that corresponds to each other, *e.g.*, where the push-button mechanism is located. In “Never Pop a Dinosaur,” “Never Pop a Unicorn,” and “Klutz Pop-It! Challenge Activity Book,” for further example, at least the back cover has a front and a back adhered to one another and both have a window located at a position that corresponds to each other, *e.g.*, where the push-button mechanism is located.

24. With further reference to Claim 8, in all of the Accused Products, at least one of the windows comprises a push button mechanism having at least one button that is operable between two variable positions and is accessible through the front and back windows. In “The Pop Pets,” for example, the front cover has three sets of windows, all of which have single-button push-button mechanisms operable between two variable positions. These push-button mechanisms are accessible through the front and back of the front cover. In “Never Pop a Dinosaur,” “Never Pop a Unicorn,” and “Klutz Pop-It! Challenge Activity Book,” for further example, the back cover has a set of windows comprising a multi-button push-button mechanism operable between two variable positions. This push-button mechanism is accessible through the front and back of the back cover.

25. With further reference to Claim 8, in all of the Accused Products, the push button mechanism(s) is made of a material that provides a clicking and/or popping noise when the position is changed. Defendants’ marketing for the Accused Products tout the clicking and/or popping noise

made by use of the push-button mechanism as well as the entertainment and educational benefits this feature provides to children.

26. The Accused Products also infringe claims 9-13, 17, 18, 20-22, and/or 24 of the 200 Patent.

27. After discovering Defendants' infringement, Melissa & Doug, through counsel, sent Make Believe a letter dated May 20, 2022 providing notice of infringement on the 200 Patent, demanding an immediate end to further infringement, and seeking information about the extent of past infringements. The letter sought a response within 10 days of receipt.

28. Melissa & Doug did not receive a prompt response to its May 20, 2022 letter. Instead, on June 9, 2022, in-house counsel for Scholastic (and its subsidiaries) responded to Melissa & Doug's counsel stating that they would review the letter internally and with their outside patent counsel and "be back in touch soon."

29. Later in the day on June 9, 2022, outside counsel for Scholastic (and its subsidiaries) responded to Melissa & Doug's counsel stating that they were "investigating the claims and allegations" and would later "provide a substantive response."

30. Counsel for Melissa & Doug requested an update from outside counsel for Defendants on June 22, 2022, seeking the date by which Melissa & Doug could expect to receive a substantive response. Counsel for Defendants responded that they were in the process of discussing the matter with their client and would "be in touch shortly." On June 29, 2022, counsel for Defendants again responded that their investigation was "taking a little longer than expected" and that they would "be in touch as soon as we have all of the information."

31. On July 6, 2022, counsel for Melissa & Doug again followed up with counsel for Defendants, seeking their "substantive response to Melissa & Doug's allegations."

32. On July 8, 2022, counsel for Defendants responded that he had “one last detail to examine” but would “be in touch next week” to discuss the matter.

33. Counsel for Defendants failed to further communicate with Melissa & Doug in the week following their July 8 email.

34. Indeed, to this day, Melissa & Doug has not received a substantive response from Defendants regarding their clear infringement on the 200 Patent. Nevertheless, Defendants are still making, marketing, and selling the Accused Products, thereby willfully infringing on the 200 Patent.

35. Further, after being notified of its infringement, Scholastic continued with its planned launch of additional Accused Products that infringe upon the 200 Patent.

36. For example, and without limitation, on or about September 6, 2022, Scholastic released a book entitled “My Busiest Book Ever!” for sale through Target, Barnes & Noble, and Amazon (and possibly other avenues).³

37. Scholastic advertises “My Busiest Book Ever!” as including “an embedded popper on the back cover,” which is operatively similar to “Never Pop A Dinosaur,” as described above. Upon information and belief, “My Busiest Book Ever!” infringes at least Claim 8 of the 200 Patent as depicted below:

³ See <https://www.amazon.com/My-Busiest-Book-Ever-Scholastic/dp/1338850059>; <https://www.target.com/p/my-busiest-book-ever-scholastic-early-learners-touch-and-explore-hardcover/-/A-85795684>; <https://www.barnesandnoble.com/w/my-busiest-book-ever-scholastic/1140885693>.



38. Defendants have willfully continued their infringement of the 200 Patent, including by offering to sell and/or selling new Accused Products.

39. Given Defendants failure to adequately respond to Melissa & Doug's communications, their failure to cease and remediate their infringement, and their apparent willful expansion of that infringement, Melissa & Doug now must seek relief from the Court.

B. The Parties Reach an Enforceable Settlement (Pled in the Alternative to Patent Infringement)

40. Melissa & Doug filed its original Complaint on July 25, 2022.

41. Following the filing of the original Complaint, the parties engaged in settlement discussions through their respective in-house and outside counsel.

42. On October 20, 2022, Plaintiff's Chief Counsel sent a proposed settlement "deal memo" to Scholastic's VP & Managing Counsel ("October Deal Memo").

43. The October Deal Memo was a four-page document setting forth over twenty (20) terms and conditions upon which Melissa & Doug offered to settle this matter.

44. Following the October Deal Memo, the parties' negotiations focused on certain of these deal terms.

45. Throughout negotiations, however, Plaintiff's outside counsel reminded Defendants' counsel of record about the October Deal Memo and the remaining material terms therein. Defendants did not express disagreement with these other terms.

46. On April 7, 2023, the parties reached a consensus on the terms under negotiation after circulation of the October Deal Memo.

47. By email dated April 7, 2023, Melissa & Doug, through its outside counsel herein, expressed agreement to the Defendants' proposed terms under negotiation and again reminded Defendants "of the terms that are critical to Melissa & Doug set forth in Melissa & Doug's deal memo sent on October 22 [*sic*], 2022."

48. In response to this April 7, 2023 email, the Defendants, unilaterally and without notice, contacted Court personnel to advise that the parties had reached an agreement-in-principle, which prompted the Court to request that the parties file a joint letter confirming such agreement.

49. On April 13, 2023, Defendants provided Plaintiff a draft joint letter to the Court reporting that the parties had reached agreement to settle.

50. In response, Plaintiff's counsel responded that, "[w]hile you didn't respond to my April 7 email, I took your report to the Court last week to be a communication of unequivocal acceptance. ***Given that there is agreement (including as to October memo)***, we are ok with the draft letter...." (Emphasis added.)

51. Defendants responded, "***[w]e confirm acceptance*** and will get the letter on file." (Emphasis added.)

52. Defendants filed the letter with the Court, prompting the Court to dismiss this action.

53. After the Court issued its order dismissing this action, on April 26, 2023, Defendants circulated a proposed draft of the formalized settlement agreement. Absent from Defendants' writing were many of the terms in the October Deal Memo.

54. In response, on May 6, 2023, Plaintiff redlined the writing to conform it to the October Deal Memo and communicated to Defendants that it was unacceptable to deviate from those terms.

55. On May 10, 2023, Defendants surprisingly responded that Defendants "never accepted" the terms in the October Deal Memo. This forced Plaintiff to move to reopen this action to pursue its patent claim and, in the alternative, seek enforcement of the parties' agreement.

FIRST CAUSE OF ACTION
Infringement of U.S. Patent No. 7,771,200

56. Melissa & Doug incorporates by reference the allegations set forth in the preceding paragraphs as if fully set forth herein.

57. Melissa & Doug is the owner of all right, title, and interest in the 200 Patent, including the right to sue for infringement thereon.

58. The 200 Patent is valid, enforceable, and was duly issued by the United States Patent & Trademark Office in full compliance with the Patent Act, 35 U.S.C. § 100, *et seq.*

59. Melissa & Doug practices and enjoys the exclusive benefits conferred by the 200 Patent. In doing so, it has duly marked and/or provided notice of its rights to the patented article under 35 U.S.C. § 287.

60. Defendants have infringed the 200 Patent by making, using, importing, selling, and/or offering for sale the Accused Products in violation of 35 U.S.C. § 271. Without limitation, the Accused Products meet all the limitations of Claim 8 of the 200 Patent.

61. Defendants are willfully continuing to infringe the 200 Patent after receiving full notice of their unlawful intrusion on Melissa & Doug's rights and are apparently willfully expanding on their infringement with new Accused Products.

62. Defendants' infringement of the 200 Patent is without consent, authorization, or license from Melissa & Doug.

63. As a result of Defendants' acts of infringement, Melissa & Doug has suffered and will continue to suffer damages in an amount to be proven at trial in accordance with 35 U.S.C. § 284.

64. Defendants' infringement has been willful and malicious, and this case is exceptional. Melissa & Doug is entitled to recover treble damages and reasonable attorneys' fees under 35 U.S.C. §§ 284 & 285.

65. Defendants' infringement on the 200 Patent is causing Melissa & Doug irreparable harm for which there is no adequate remedy available at law. In accordance with principles of equity and 35 U.S.C. § 283, Defendants' infringement on the 200 Patent should be permanently enjoined.

SECOND CAUSE OF ACTION (IN THE ALTERNATIVE)
Declaratory Judgment Enforcing Settlement Agreement

66. Melissa & Doug incorporates by reference the allegations set forth in the preceding paragraphs as if fully set forth herein.

67. On or about April 13, 2023, the parties reached an enforceable settlement agreement, which material terms are set forth in their counsel's April 2023 email correspondence and the terms of the October Deal Memo (the "Settlement Agreement").

68. Plaintiff relied on the Settlement Agreement by authorizing Defendants' counsel to file a letter with the Court reporting that the parties had reached a settlement and permitting dismissal of the Complaint.

69. The Settlement Agreement is binding on the parties.

70. After this action was dismissed based on the parties' Settlement Agreement, the Defendants disavowed their acceptance of the terms of the October Deal Memo.

71. Accordingly, a justiciable controversy exists between the parties.

72. Plaintiff seeks a judgment declaring that the parties' Settlement Agreement is a valid, binding and enforceable agreement.

THIRD CAUSE OF ACTION (IN THE ALTERNATIVE)
Breach of the Settlement Agreement

73. Melissa & Doug incorporates by reference the allegations set forth in the preceding paragraphs as if fully set forth herein.

74. The parties' Settlement Agreement is a valid, binding and enforceable contract.

75. Pursuant to the Settlement Agreement, Defendants had certain obligations to Melissa & Doug, for which compliance is now past due.

76. Melissa & Doug has fully performed under the Settlement Agreement.

77. Defendants have breached the Settlement Agreement by, *inter alia*, disavowing certain terms of the Settlement Agreement and failing to comply with their obligations thereunder.

78. As a direct and proximate result of Defendants' breaches, Melissa & Doug has and will continue to suffer damages.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Melissa & Doug respectfully requests this Court to enter judgment as follows:

- a) Declaring that the 200 Patent is valid and enforceable;
- b) Declaring that the Defendants have unlawfully and willfully infringed on the 200 Patent;
- c) Awarding Melissa & Doug damages adequate to compensate Plaintiff for Defendants' infringement, but in no event less than a reasonable royalty for the use by the Defendants of the invention, under 35 U.S.C. § 284;
- d) Awarding Melissa & Doug costs and pre-judgment and post-judgment interest, including in accordance with 35 U.S.C. § 284;
- e) Awarding Melissa & Doug enhanced damages, in the form of treble damages, under 35 U.S.C. § 284;
- f) Declaring that this case is exceptional and awarding Melissa & Doug its reasonable attorneys' fees under 35 U.S.C. § 285;
- g) Granting Melissa & Doug a permanent injunction against each of the Defendants in accordance with principles of equity to prevent the violation of any right secured by the 200 Patent under 35 U.S.C. § 283;
- h) In the alternative, declaring that the parties' reached a valid, binding and enforceable agreement settling their infringement dispute, per the parties' Settlement Agreement, as set forth in the Second Cause of Action herein;
- i) In the alternative, entering Judgment in favor of Melissa & Doug on its Third Cause of Action for Defendants' breach of the Settlement Agreement and awarding Melissa & Doug damages in an amount to be determined at trial; and
- j) Granting Melissa & Doug other and further relief as the Court may deem just and proper under the circumstances.

DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury on all issues so triable in this action.

Dated: August 1, 2023

Respectfully submitted,

/s/ John L. Cordani

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