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Innovation First Sues Urban Trend for Infringing Intellectual Property on the HEXBUG® Nano™ Toy

Innovation First to Defend Popular HEXBUG® Nano™ Toys Vigorously Across the Entire Supply Chain

Greenville, Texas – May 11, 2010 – An intellectual property infringement lawsuit was filed today by Innovation First, Inc. and Innovation First Labs, Inc. against Urban Trend, LLC and two of its principals, Robert G. Kushner and Michael Stoll, in the United States District Court for the Northern District of Texas. The lawsuit contends that the Defendants committed trade dress infringement, violations of the Lanham Act and other wrongful conduct in offering knock-offs of the HEXBUG® Nano™ micro robotic toys designed and sold by Innovation First. Innovation First introduced the popular HEXBUG® Nano™ Micro Robotic Creature toy line in 2009 and has achieved record sales at major retailers in the US and abroad. Recently, the HEXBUG® Nano™ bug, as it is called, has been featured on *Late Show with David Letterman* and *The Today Show*.

The lawsuit is in keeping with Innovation First's history of protecting its brands and products through foreign and domestic trademark, copyright and patent filings. The company was one of the first in the robotics industry to aggressively seek and enforce patent, copyrights, trademarks and other forms of intellectual property associated with its technological innovations. Innovation First has adopted the same approach for its wildly popular Nano™ bug. The company has filed, and continues to file, for foreign and international intellectual property protection for virtually every aspect of the robotic creatures, as well as their packaging, marketing and associated accessories and materials. The company asserts that the lawsuit against Urban Trend is representative of how it intends to vigorously pursue violators at every step in the supply chain including manufacturers, distributors, sales representatives and even the retail outlets who profit from infringing products.

"The toy industry is notorious for breeding copycats of hot products," said Tony Norman, president and chief executive officer of Innovation First International, Inc. "A significant part of the problem is that retailers encourage such knock-off artists by placing offending products on their retail shelves. This practice stifles innovation. Unlike a typical toy company, we are broadly diversified and not dependant solely upon toy revenue. Therefore we won't hesitate to file suit against retailers or anyone else in the supply chain who infringes our intellectual property."

While aggressive enforcement is promised, the company has also taken the unusual step of inviting retailers, buyers, and others in the supply chain for its products, to take a closer look at Innovation First's intellectual property protection. This invitation is designed to educate them on the substance of the company's patent filings and enforcement and to help them protect themselves from future legal action. Since patent rights are not enforceable until validated by the US Patent and Trademark Office, patent law suits are usually delayed while the patent office reviews the filing. The term "patent pending" is widely used to describe this review period. Upon final issuance, many violating companies just disappear, leaving others in the supply chain responsible for infringement. Unfortunately for retailers, selling products that infringe on patent rights leaves them liable. "We



welcome the opportunity to have a dialog with folks making buying decisions for relevant products so that they do not inadvertently contribute to the success of knock-off artists and expose themselves to a growing liability,” said Bob Mirlitch III, vice president and chief technology officer of Innovation First. “We want buyers to make an educated decision when they decide to buy, market, and sell a product, and reduce the chance of putting their company, or themselves, in jeopardy of intellectual property litigation.”

Innovation First has and will continue to pursue patent protection for the HEXBUG Nano. The product is extremely unique in form and function, which lends to very broad and defensible design and utility patents. The company intends to use the impending US and international patents to actively stop any copycats. In addition to the lawsuit against Urban Trend, actions against other offending toy manufacturers are under review. Retailers that are considering offering any products similar to HEXBUG Nano are welcome to contact Innovation First for details on the depth and breadth of its intellectual property protection.

The lawsuit against Urban Trend is an action for trade dress infringement, false designation of origin and false advertising under the Lanham Act (15 U.S.C. § 1125); copyright infringement under the United States Copyright Act (17 U.S.C. § 501 *et seq.*); injury to business reputation and dilution under § 16.29 of the Texas Business & Commerce Code; and unfair competition and unjust enrichment under the common law of the State of Texas. The lawsuit alleges that the Defendants are offering blatant knock-offs of the HEXBUG® Nano™ Micro Robotic Creatures designed and sold by Innovation First. The knock-offs copy the look and feel of the Innovation First products, mirroring, among other aspects, their design, color scheme and naming conventions. Moreover, the Defendants appear to have lifted both form and content from Innovation First’s sales materials for use in their advertising. Innovation First brings this action to stop the Defendants from further infringing on Innovation First’s intellectual property and to recover for the damage caused by Defendants actions.

About HEXBUG and Innovation First:

HEXBUG® is a product line developed by Innovation First Inc., and distributed and marketed by Innovation First Labs, Inc., both wholly owned subsidiaries of privately held Innovation First International, Inc. The company was founded on the belief that innovation very early in the design process is necessary to produce simple and elegant product designs. Innovation First began developing electronics for unmanned mobile ground robots and is now an industry leader in research and development for the hobby, competition, education and toy markets.

Innovation First International’s three main subsidiaries, VEX Robotics, Inc., Innovation First Labs, Inc. (makers of HEXBUG® Micro Robotic Creatures), and RackSolutions, Inc. span the education, consumer and business-to-business markets. The VEX® Robotics Design System is the leading platform for middle school and high school education and competitive robotics. Leveraging the company’s core competency in electrical and mechanical engineering, the RackSolutions® division works closely with all major computer OEMs to provide custom mounting solutions and industry-wide rack compatibility for data installations of all sizes.

In the 2009 the company added offices in Hong Kong, China and the United Kingdom to better serve the global marketplace. With an advanced in-house metal fabrication plant, distribution center and corporate office located together in a 13-acre complex in Greenville, Texas, the company is poised to continue on a rapid growth path. Please visit www.innovationfirst.com for additional information.