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APPLE INC.

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

J.T. COLBY & COMPANY, INC. d/b/a BRICK
TOWER PRESS, J. BOYLSTON & COMPANY,
PUBLISHERS LLC and IPICTUREBOOKS LLC,

Plaintiffs,

- against -

APPLE INC.,

Defendant.

Case No. 11-CIV-4060 (DLC)

ECF Case

REDACTED

**DECLARATION OF BONNIE L. JARRETT IN SUPPORT OF
DEFENDANT’S MOTION FOR SUMMARY JUDGMENT**

I, Bonnie L. Jarrett, declare as follows:

1. I am an associate at the law firm of Kirkland & Ellis LLP, counsel of record for the Defendant Apple Inc. (“Apple”). I am licensed in the State of New York and admitted to practice before this Court. I submit this declaration in support of Defendant’s Motion for Summary Judgment.

2. I have reviewed the pleadings, correspondence between the parties, written discovery, and documents produced by Plaintiffs and Apple in discovery in connection with this matter.

3. I also have reviewed publicly available documents and websites, namely listings for books published under the “ibooks” imprint on Amazon.com and BarnesandNoble.com; U.S. Patent & Trademark Office (“PTO”) records; Plaintiffs’ website (www.bricktowerpress.com); Apple’s website (www.apple.com); and Family Systems, Ltd.’s website (pilot.verbol.com).

4. In addition, I have reviewed the books published by Plaintiffs that were produced by Plaintiffs or obtained by Apple in connection with this litigation. I have also reviewed Apple’s iBooks software.

5. I also conducted inspections of Plaintiffs’ offices at 1230 Park Avenue in New York and at 5 Dering Woods Road in Shelter Island Heights.

6. The facts set forth in this declaration are based on my review of the materials described above, as well as on my personal knowledge.

7. This declaration will address the following points:

- a. The PTO’s practice not to register i-formative marks without secondary meaning;
- b. The secondary meaning factors;

- c. Ibooks, Inc.'s Abandoned Trademark Applications for IBOOKS and IBOOKSINC.COM;
- d. The Assignment Agreement between Apple and Family Systems;
- e. The likelihood of confusion between Apple's iBooks mark and Plaintiffs' "ibooks" imprint;
- f. ipicturebooks, LLC and the "ipicturebooks" imprint;
- g. Plaintiff's conversion claim;
- h. Plaintiff J.T. Colby & Co.'s rights to the alleged marks in this case (or lack thereof); and
- i. Relevant depositions and documents.

I. THE PTO DOES NOT REGISTER "I"-FORMATIVE MARKS WITHOUT A SHOWING OF SECONDARY MEANING.

8. TMEP § 1209.03(d) states, in part: "[W]ith appropriate evidence, the prefix 'i' or 'I' was held to be understood by purchasers to signify Internet, when used in relation to Internet-related products or services. *See In re Zanova, Inc.*, 59 USPQ2d 1300 (TTAB 2000) (ITool merely descriptive of computer software for use in creating web pages, and custom design of websites for others)."

9. The PTO initially denied Apple's trademark applications for IMESSAGE, IPHONE, ITUNES, and ITUNES STORE based on the PTO's determinations that (1) the "i" in each mark would be understood by purchasers to signify "internet," and (2) the marks would be used in relation to internet-related products or services. True and correct copies of the PTO's office actions for IMESSAGE, IPHONE, ITUNES and ITUNES STORE are attached hereto as Exhibit 1, 2, 3, and 4, respectively.

10. The PTO's March 20, 2007 office action for ITUNES STORE stated, in part:

Here, the mark is ITUNES STORE. Applicant has provided a voluntary disclaimer of the wording "Store." "ITUNES," however, is also descriptive. The mark combines the wording "I" and "tunes." The prefix "i" or "I" would be understood by the purchasing public to signify "Internet," when used in relation to Internet-related products or services. Therefore, when this prefix is coupled with a descriptive term or terms for the Internet-related goods and/or services, then the entire mark is merely descriptive under Section 2(e)(1). *In re Zanova, Inc.*, 59 USPQ2d 1300 (TTAB 2000) (ITool merely descriptive of computer software for use in creating web pages, and custom designing websites for others). "Tunes" is descriptive as "tunes" are "songs" and the services intimately involve electronic or internet based music and songs. See the attached printout from *The American Heritage Dictionary of the English Language, Third Edition* (1992).

See Ex. 4, at 2.

11. The PTO ultimately accepted the IMESSAGE, IPHONE, ITUNES, and ITUNES STORE marks as registrable, after Apple submitted proof of secondary meaning, either through voluminous evidence of sales, advertising, media coverage, and other indicia of secondary meaning, or through evidence of Apple's existing registrations for similar marks. True and correct copies of Apple's office action responses (without exhibits) and the registration certificates for IMESSAGE, IPHONE, ITUNES, and ITUNES STORE are attached hereto as Exhibit 5, 6, 7, and 8, respectively.¹

12. After acquiring federal trademark Registration No. 2,446,634 for IBOOK for e-reader software (the "'634 Registration") from Family Systems, Ltd. ("Family Systems") on January 27, 2010, Apple filed an intent-to-use trademark application for IBOOKS for expanded

¹ Due to their volume, the exhibits submitted with the Office Action Responses for IMESSAGE and IPHONE described herein are not attached here. Those exhibits are a matter of public record, and can be obtained through the PTO's online database at <http://tsdr.uspto.gov/documentviewer?caseId=sn85422999&docId=ROA20120619190100> and <http://tsdr.uspto.gov/documentviewer?caseId=sn77977745&docId=IPC20090820112233>, respectively.

goods and services on April 7, 2010. A true and correct copy of that application is attached hereto as Exhibit 9.

13. The PTO initially refused the application to register IBOOKS for expanded goods and services, asserting that the mark was merely descriptive and citing TMEP § 1209.03(d). True and correct copies of the PTO's Office Actions dated June 29, 2010 and April 6, 2012 are attached hereto as Exhibit 10.

14. In response to the PTO's refusals, Apple submitted evidence that the IBOOKS mark had acquired distinctiveness. True and correct copies of Apple's Office Actions Responses, dated December 29, 2010 and October 9, 2012, are attached hereto as Exhibit 11.²

15. On November 28, 2012, the PTO accepted for publication Apple's application to register IBOOKS for expanded goods and services. A true and correct copy of the Notice of Publication is attached hereto as Exhibit 12.

II. PLAINTIFFS HAVE NOT SHOWN THAT THE ALLEGED "ibooks" MARK HAS ACQUIRED SECONDARY MEANING.

A. Plaintiffs Did Not Submit A Survey or Expert Evidence.

16. Plaintiffs have not submitted any survey evidence or expert evidence showing that the alleged "ibooks" mark has acquired secondary meaning.

17. Apple submitted the report of Dr. Gregory S. Carpenter, the James Farley/Booz Allen Hamilton Professor of Marketing Strategy and Director of the Center for Market Leadership at the Kellogg School of Management at Northwestern University (the "Carpenter

² Due to their volume, the exhibits submitted with the Office Action Responses are not attached here. Those exhibits are a matter of public record, and can be obtained through the PTO's online database at <http://tsdr.uspto.gov/documentviewer?caseId=sn85008412&docId=ROA20101230172443> and <http://tsdr.uspto.gov/documentviewer?caseId=sn85008412&docId=ROA20121010182108>, respectively.

Report”). A true and correct copy of the Expert Report of Gregory S. Carpenter, dated September 17, 2012, is attached hereto as Exhibit 13.³

18. The Carpenter Report is 43 pages long and includes 78 exhibits. *See id.*

19. Dr. Carpenter concluded that neither Byron Preiss, the creator of the “ibooks” imprint, nor Plaintiffs took the actions necessary for “ibooks” to become a brand that consumers recognize and associate with a particular source. *See, e.g., id.* at 3.

20. Plaintiffs offered the opinions of Mr. Mike Shatzkin to rebut Dr. Carpenter.

21. Mr. Shatzkin does not dispute any of the facts upon which Dr. Carpenter relied, nor does he assert that consumers recognized the “ibooks” imprint in January 2010, when Apple adopted its iBooks mark. A true and correct copy of the Expert Report of Mike Shatzkin, dated October 26, 2012, is attached hereto as Exhibit 14.

B. Plaintiffs Do Not Use The Alleged “ibooks” Mark Consistently.

22. Although the Complaint asserts that the mark in issue is “ibooks,” in all lower case, Plaintiffs’ alleged mark is not depicted consistently in the marketplace. *See Am. Compl.*, ¶¶ 2-4, 13-19, 25, 28, 30-37, 45, 49, 51, 65, 79, 82, 84-85, 87-89 and 98.

23. Within Plaintiffs’ book, the word “ibooks” is depicted in multiple formulations, including “ibooks,” “ibooks, Inc.,” and as discussed in greater detail below, “iBooks.” True and correct copies of the copyright and title pages of *Arthur C. Clarke’s Venus Prime* by Paul Preuss and *Voodoo Moon Trilogy* by Cheri Scotch are attached hereto as Exhibits 15 and 16, respectively.

³ Exhibit 78 to the Carpenter Report is a DVD produced by Plaintiffs. Due to its volume, the DVD is not attached here.

24. On the Amazon and Barnes & Noble's websites, Plaintiffs' alleged mark is depicted in various ways including "ibooks," "IBooks," "IBOOKS, INC.," "Ibooks, Inc.," "Ibooks," "I Books," and, as discussed in greater detail below, "iBooks." A spreadsheet reflecting the results of Amazon.com and BarnesandNoble.com listings for 60 books published under the "ibooks" imprint, or identified in the Complaint as being published under the "ibooks" imprint, as well as the listings themselves, are attached hereto as Exhibit 17.

25. Some of Plaintiffs' "ibooks" books are identified by different publishers on different third party websites. For example, *Desert War In North Africa* is advertised on Amazon.com as published by Ibooks, Inc., whereas Barnes & Noble instead lists Plaintiffs' Brick Tower Press imprint as the publisher. *See id.*, at 1 (third entry).

26. Plaintiffs sometimes use different imprints on the same books. For example, paperback versions of *All American Boys* were printed in March 2010 under the "ibooks" imprint and again in July 2010 under the "ipicturebooks" imprint. The quality of the "ipicturebooks" version of July 2010 is very poor, as the print is very blurry and difficult to read. True and correct copies of the front cover, spine, back cover, and copyright and title pages of both versions of *All American Boys* are attached hereto as Exhibit 18.

27. Plaintiffs sometimes use the "ipicturebooks" imprint for electronic books that are published in print format under the "ibooks" imprint. For example, *The Raven Deception* and *Kong Reborn* are both published under the imprint "ibooks" in print format and are published under the "ipicturebooks" imprint in electronic format. True and correct copies of the copyright and title pages of *The Raven Deception* and *Kong Reborn* in print format and in electronic format are attached hereto as Exhibits 19 and 20, respectively.

28. Plaintiffs published the book *Black Unicorn* under the imprint “ibooks” in print format, but under the name “ipicturebooks.com” in electronic format. True and correct copies of the copyright and title page of *Black Unicorn* in print format and in electronic format are attached hereto as Exhibit 21.

C. **Sales of “ibooks” Books Have Been *De Minimis*.**

1. **There is No Reliable Evidence of “ibooks” Sales During the Preiss Period.**

29. There is no reliable evidence of sales of books bearing the “ibooks” imprint during the time Ibooks, Inc., which was originally owned by Byron Preiss, published books bearing the “ibooks” imprint, *i.e.*, 1999 to 2006.

30. The unreliability of the records produced by Plaintiffs for the Preiss period, *i.e.*, 1999 to 2006, is best shown by the different sets of financial documents that Plaintiffs produced.

31. In response to interrogatories propounded by Apple, Plaintiffs produced a set of spreadsheets in mid-July 2012, just two days before Apple was to depose John Colby as Plaintiffs’ 30(b)(6) witness (the “July Spreadsheets”). A DVD containing true and correct copies of the July Spreadsheets is attached hereto as Exhibit 22.

32. The July Spreadsheets purport to reflect, among other things, sales and returns of “ibooks” and “ipicturebooks” from September 1999 to May 2012.

33. The July Spreadsheets were created by Mr. Colby. *See* Colby 30(b)(6) Dep.,⁴ 138:14-22. Mr. Colby did not use preexisting business records of Ibooks, Inc. to create the July Spreadsheets. *See id.*, 133:17-22.

⁴ Excerpts from depositions are attached hereto behind tabs identifying the name of the witness.

34. The July Spreadsheets contain rows labeled “advertising” and “marketing” for each month from September 1999 to April 2012. For each of those months, the July Spreadsheets reflect [REDACTED] for “advertising” or “marketing.” *See* Ex. 22.

35. The July Spreadsheet labeled “Exhibit A” purported to list all sales of hard copy books bearing both the “ibooks” and “ipicturebooks” imprints, but did not provide information about which books bore which imprint, even though Apple had requested that Plaintiffs provide sales information “for each of” Plaintiffs’ alleged marks. *See* Ex. 22.

36. The July Spreadsheet labeled “Exhibit B” purported to list all sales of electronic books bearing both the “ibooks” and “ipicturebooks” imprints, but did not provide information about which books bore which imprint. *See* Ex. 22.

37. According to the July Spreadsheets, sales for print books under the “ibooks” and “ipicturebooks” imprints from 1999 through May 2012 were [REDACTED], whereas sales for electronic books from under those imprints from 1999 through May, 2012 were [REDACTED]. *See* Ex. 22.

38. The July Spreadsheets show that [REDACTED] of the books that Plaintiffs have sold under the “ibooks” and “ipicturebooks” imprints from 1999 through May 2012 have consisted of print books, and only [REDACTED] of the books that Plaintiffs sold under those imprints during that period have consisted of electronic books. *See* Ex. 22.

39. On August 20, 2012, after Apple pointed out that the July Spreadsheets failed to indicate which books bore which imprint, Plaintiffs produced another set of spreadsheets (the “August Spreadsheets”). A true and correct copy of the one-page worksheet entitled “J. Boylston & Company, Publishers Consolidated Income Statement by Title Imprint” that was included with the electronic version of the August Spreadsheets is attached hereto as Exhibit 23.

In addition, a DVD containing the entire electronic version of the August Spreadsheets is attached hereto as Exhibit 24.

40. The August Spreadsheets included a worksheet labeled “ibooksimprint” that purported to list all sales of hard copy and electronic books bearing the “ibooks” imprint, but did not provide information about which books were sold in which format. *See* Ex. 24.

41. The August Spreadsheets also included a worksheet labeled “ipicturebooksimprint” that purported to list all sales of hard copy and electronic books bearing the “ipicturebooks” imprint, but did not provide information about which books were sold in which format. *See* Ex. 24.

42. The July Spreadsheets showed net sales of both hard copy and electronic “ibooks” and “ipicturebooks” from 1999 to 2011 of [REDACTED], whereas the August Spreadsheets showed sales of [REDACTED] for the same products over the same time period—a difference of nearly [REDACTED]. *See* Exs. 22-24.

43. Plaintiffs do not know what proportion of their sales occur online as compared to in brick-and-mortar stores. *See* Colby 30(b)(6) Dep., 210:13-25; *see also* Letter from Plaintiffs’ counsel to Apple’s counsel, dated August 10, 2012, a true and correct copy of which is attached hereto as Exhibit 25, at 2-3.

44. According to Plaintiffs’ purported publishing expert, Mr. Shatzkin, a third spreadsheet, upon which Mr. Shatzkin relied, shows sales from sometime in the early 2000’s (the “Shatzkin Spreadsheet”). *See* Shatzkin Dep., 153:13-157:25. A DVD containing a true and correct copy of the Shatzkin Spreadsheet is attached hereto as Exhibit 26.

45. The Shatzkin Spreadsheet is undated, and Mr. Shatzkin testified that he did not know whether the Shatzkin Spreadsheet identified when any particular sales occurred. *See* Shatzkin Dep., 158:15-159:4.

46. Mr. Shatzkin testified that he believed that the Shatzkin Spreadsheet covered sales during the time that Simon & Schuster distributed “ibooks” books, which he believed occurred during the period from approximately 2000 to 2004. *See* Shatzkin Dep., 71:11-18; 153:24-154:3. Plaintiffs allege in their Complaint, however, that Simon & Schuster distributed “ibooks” books from 1999 to 2006. *See* Am. Compl. ¶ 13.

47. The Shatzkin Spreadsheet includes titles published not only by Ibooks, Inc., but also by Plaintiffs’ other imprints, including Brick Tower Press. *See* Ex. 26.

48. The majority of the titles listed on the Shatzkin Spreadsheet do not have publication dates. *See* Ex. 26.

49. The Shatzkin Spreadsheet purports to show net sales of “ibooks” books of ██████████ during some unknown time period, which Mr. Shatzkin believed was approximately 2000 to 2004. *See* Shatzkin Dep., 153:21-154:3; *see also* Ex. 26.

50. By contrast, the August Spreadsheets purport to show net sales of “ibooks” of ██████████ for 2000 to 2004. *See* Exs. 23 and 24.

51. As the July Spreadsheets, the August Spreadsheets and the Shatzkin Spreadsheet are supposed to reflect historical sales figures, there is no justification for the dramatic differences in sales figures among the spreadsheets.

2. “ibooks” Sales During the Preiss Period (1999-2006)

52. Assuming *arguendo* that the August Spreadsheets are reliable and admissible, those spreadsheets reflect that Ibooks, Inc., experienced massive returns of books that did not sell through to consumers, undermining its earlier sales to distributors.

53. Specifically, the August Spreadsheets purport to show that distributor sales were: (1) ██████ in 1999; (2) ██████ in 2000; (3) ██████ in 2001; (4) ██████ in 2002; (5) ██████ in 2003; (6) ██████ in 2004 (the highest level they ever attained); (7) ██████ in 2005; and (8) ██████ in 2006. *See Ex. 23.*

54. Plaintiffs' 30(b)(6) witness, Mr. Colby, testified at his deposition that it is the practice in the publishing industry to allow returns for up to two years if the books do not sell through to consumers. *See Colby 30(b)(6) Dep., 162:3-21.*

55. Richard Freese, a third-party witness designated by Plaintiffs as someone with knowledge of “[t]he business dealings leading to the acquisition by John T. Colby of the business and the distribution of Plaintiffs’ books, including, during the period of time encompassing the transition of the business from Byron Preiss to John T. Colby” (Fourth Amended Rule 26(a) Initial Disclosures) testified that around the time Mr. Preiss died “returns started to outstrip sales.” *See Freese Dep. 44:25-45:10.* Mr. Freese also testified that the returns were not related to Mr. Preiss’s death. *See id., 46:15-20.*

3. “ibooks” Sales During the Colby Period (2007-present)

56. In late 2006, Plaintiffs acquired the assets of Ibooks, Inc. *See Am. Compl., ¶¶ 2-3.*

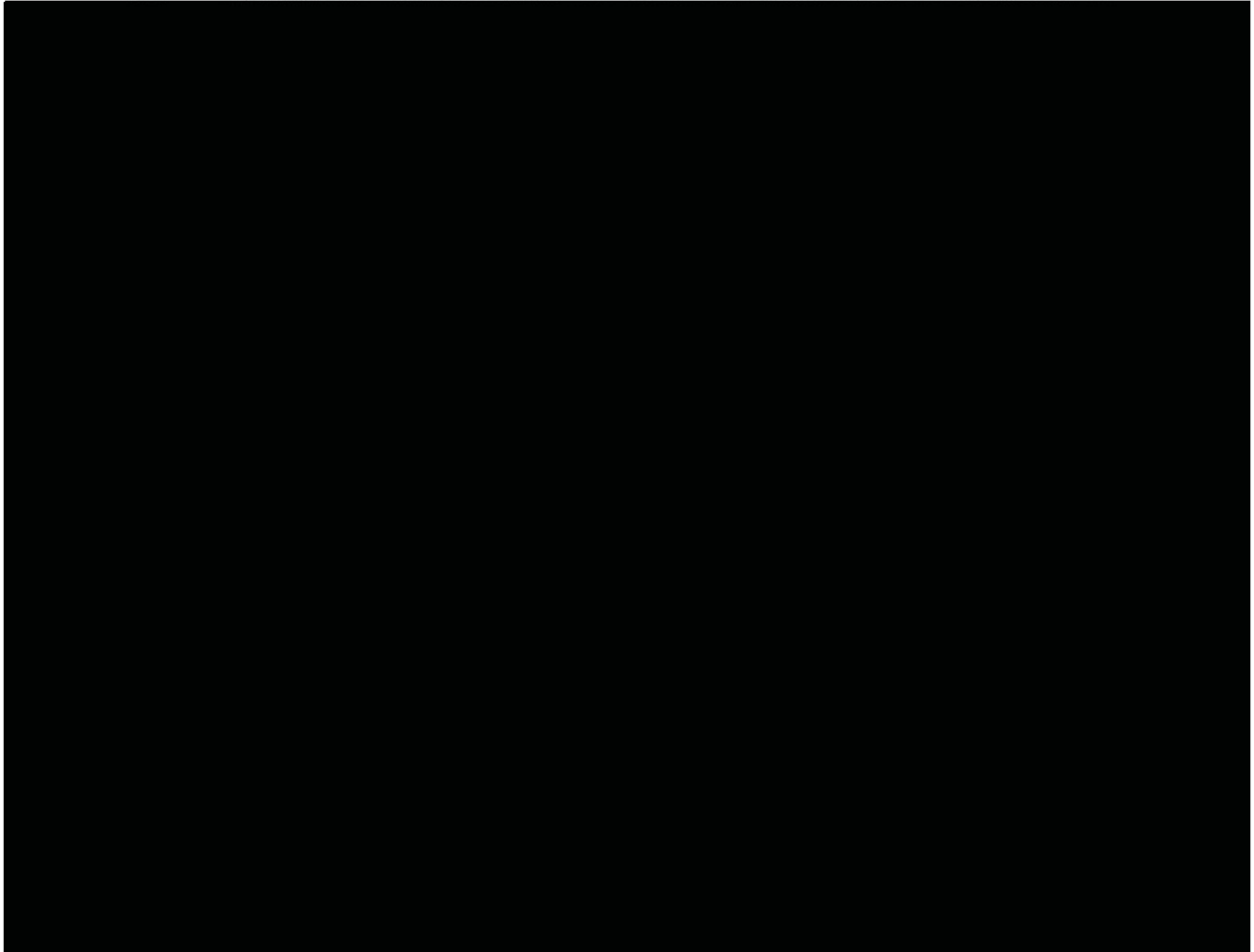
57. According to the August Spreadsheets, net sales by Plaintiffs to distributors were ██████ in 2007; ██████ ██████ in 2008 and ██████ in 2009. *See Ex. 23.*

58. Thus, distributor sales for the “ibooks” imprint averaged less than ██████ in each of the three years before Apple began using the iBooks mark.

59. Plaintiffs’ sales figures have not decreased since Apple announced its iBooks software app on January 27, 2010. *See Ex. 23.*

60. Specifically, sales of “ibooks” books to distributors were [REDACTED] in 2010 and [REDACTED] in 2011. *See* Ex. 23.

61. The sales of “ibooks” from 1999 to 2011 are reflected in the chart below:



62. Mr. Freese worked for Plaintiffs’ distributor of “ibooks” books from 2010 until May 2011. *See* Freese Dep., 12:13-17; 15:21-16:2; 47:7-9.

63. Mr. Freese testified that sometime between 2010 and 2011, he tried “to develop a strategy” to relaunch books on the “ibooks” backlist, but Mr. Colby “was reticent to move forward on all fronts.” *See* Freese Dep., 50:17-52:9.

64. Mr. Freese testified that in June 2010, Mr. Colby did not “want to take inventory risk, because of the returns.” *See* Freese Dep., 99:19-100:2.

65. Mr. Freese testified that “inventory risk” is the risk that retailers would return books, which would negatively affect cash flow. *See* Freese Dep., 68:8-69:8.

D. There Is No Evidence of Any Consumer Advertising For “ibooks,” and Advertising Expenditures for “ibooks” Have Been Meager.

1. Advertising Expenditures

66. According to the August Spreadsheets, from 1999 through 2006 Mr. Preiss, the owner of Ibooks, Inc., spent [REDACTED] on marketing activities, although the spreadsheets do not identify how the money was spent, how much of that was spent on marketing activities for “ibooks” and how much was spent on marketing activities for “ipicturebooks.” *See* Ex. 23.

67. Through an interrogatory, Plaintiffs were asked to identify what advertisements depicting the alleged “ibooks” marks had ever been done. *See* Plaintiffs’ Responses and Objections to Defendant Apple Inc.’s Second Set of Interrogatories, dated July 16, 2012, a true and correct copy of which is attached hereto as Exhibit 27, at 3-4 (Interrogatory No. 11).

68. In response to Apple’s interrogatory request, Plaintiffs produced a DVD labeled “J.T. Colby & Co., Inc., et al. v. Apple Inc., No. 11 cv 4060, Plaintiffs’ Supplemental Response to Interrogatory No. 11, September 11, 2012.”

69. None of the documents on the DVD appear to be newspaper, magazine, radio, television or any other type of advertisements that depicted the alleged “ibooks” mark. In other words, the documents Plaintiffs identified as advertisements did not include any consumer advertisements depicting the alleged “ibooks” mark.

70. The only documents on the DVD that Plaintiffs produced that depict the alleged “ibooks” mark were catalogs and sell sheets directed to the trade that focus more on the author, book title and subject matter than the imprint. These materials appear to have been directed to the trade, and not to consumers.