

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-cv-4060 (DLC)

**MEMORANDUM OF LAW IN OPPOSITION TO  
DEFENDANT'S MOTION FOR SUMMARY JUDGMENT**

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LLC, and ipicturebooks, LLC

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Plaintiffs J.T. Colby & Co., Inc. d/b/a Brick Tower Press, J. Boylston & Co., Publishers, LLC, and ipicturebooks, LLC respectfully submit this Memorandum of Law in opposition to the Motion for Summary Judgment of Defendant Apple Inc. (“Apple”).

### **PRELIMINARY STATEMENT**

Plaintiffs and their predecessors in interest have been selling books bearing the iBooks imprint since 1999, generating revenues in excess of \$33 million. The iBooks brand developed a cachet for innovative titles in the science fiction, fantasy, military history, and graphic novel genres, among others, and garnered a reputation as an early adopter of electronic book distribution media, such as interactive CD-ROMs and digital distribution rights. By 2004, Publishers Weekly named the company one of the ten outstanding independent publishers of the year. Thus, on January 27, 2010, when Defendant Apple Inc. announced that it intended to introduce the iPad tablet computer that would permit the user to purchase, download and read electronic books through its “iBooks” application (“app”), Plaintiffs’ principal John T. Colby, Jr., a scion of generations of book publishers, who himself had worked in the business of book publishing for 30 years, as a Chief Financial Officer at Doubleday and in running his own family of independent imprints, see Declaration of John T. Colby, Jr. in Opposition to Motion for Summary Judgment, dated January 25, 2013 (“Colby Decl.”) ¶¶ 2-57, was justifiably concerned.

Using the contact information for the Apple publicist named at the end of that January 27 press release, Mr. Colby telephoned and emailed Apple on January 29, 2010, notifying them that the iBooks imprint had been in circulation since the 1990s, and requesting a conversation with an appropriate Apple representative to work out a business arrangement between Plaintiffs and Defendant concerning sales of Plaintiffs’ books through the iBooks app. Instead of taking Mr. Colby up on his offer, Apple immediately referred his email to its counsel. In subsequent

conversations, which took place in the months before Apple released the iPad and the iBooks app in April 2010, Apple explained to Mr. Colby that Apple owned a federally registered IBOOKS trademark, unlike Plaintiffs' common law trademark, and, in any event, that Apple's trademark had been in use since before 1999.

Faced with the possible cancellation of the IBOOKS registration and liability for its knowing and willful infringement of Plaintiffs' common law IBOOKS trademark, Apple resorts to belittling and mocking Plaintiffs and their principal, John Colby, who rescued the IBOOKS brand and publishing business, with its many business relationships and thousands of author contracts, from bankruptcy after the company's founder, Byron Preiss, died in a tragic car accident. Apple contends that Plaintiffs are too small to matter, that their business is too frail to be entitled to trademark protection, and that their brand is too obscure to be confused with Apple's pervasive marketplace identity. Upon scrutiny, however, these insults are revealed for what they are – fictions created to obscure the stark and simple truth of what actually occurred: Plaintiffs have been selling books with the IBOOKS imprint since 1999; Apple decided to enter the electronic book sales market in conjunction with its release of the iPad tablet computer, in order to compete with electronic book readers like the Kindle; Apple decided it liked the iBooks name; Apple learned about Plaintiffs' longtime use of the mark; and Apple did not care. This lawsuit was filed to redress that wrong.

Apple moves for summary judgment, contending that there are no disputed issues for a jury to decide. To the contrary, however, most of the facts on which Apple bases its motion are sharply disputed, and Apple's presentation of the facts in its motion simply ignores such disputes. But in this Court, such disputes must be decided by triers of fact, and their existence mandates denial of Apple's motion.

First, Apple contends that, as a matter of law, Plaintiffs do not own a protectable common-law trademark. Apple is wrong. First, Plaintiffs' IBOOKS mark is not merely "descriptive." Although, like every savvy businessman in 1999, iBooks founder Byron Preiss hoped to capitalize on sales of his books through the Internet, the "i" in "ibooks" was never intended to mean "internet," and there is no evidence indicating that consumers understood the IBOOKS mark to mean "internet" in 1999 or thereafter in connection with Plaintiffs' book and e-book publishing business. Preiss's company, ibooks, inc., developed a logo that included the little "i" inside of a light bulb, which can be a symbol for an "idea," thereby indirectly suggesting a connection between books and ideas. These books were sold in bookstores, on the websites of Amazon and Barnes & Noble, and elsewhere, but nothing about the books in the company's catalog, which ranged from horror to suspense to science fiction to romance, described any intrinsic connection to "Internet." As applied to a publisher and seller of books, at least, "ibooks" is suggestive, not descriptive. Any doubt about this question is dispelled by the fact that, when ibooks sought to register its trademark, the examining attorney did not deem the mark to be descriptive, but rather "misdescriptive" – recognizing that a leap of imagination was required between the mark and the products.

Even if Plaintiffs' IBOOKS mark is deemed to be descriptive, however, Plaintiffs still have common law trademark rights in their brand because they have developed sufficient secondary meaning in their relevant product market – distributors and wholesalers, book retailers, and fans of the genres that Plaintiffs publish. Since its founding in 1999, the company has earned over \_\_\_\_\_ in revenue through May 2012. The company has spent more than \_\_\_\_\_ on advertising, including co-operative advertising with their distributors. There can be little dispute that ibooks, inc. had achieved secondary meaning by 2004, when Publishers

Weekly named it one of the top independent publishers in America, long before Apple entered the bookselling business in 2010. Notably, Apple did not call or rely upon any witnesses, of all the fact and expert witnesses called by each side in this action, who had any experience in the book publishing industry. Among all of its expert witnesses and its many Rule 30(b)(6) designees and other witnesses, not a single one has meaningful experience with book publishing, and not a single one is able to provide industry-specific insight into the strength of Plaintiffs' mark and the robustness of Plaintiffs' business. By contrast, Plaintiffs have adduced or offered the testimony of three witnesses, all experienced veterans of the book publishing industry, with intimate knowledge of how marketing, branding and sales happen in the industry – fact witness Richard Freese, expert witness Michael Shatzkin, and Plaintiff's principal Mr. Colby (see Colby Decl. ¶¶ 3-57) – all of whom have stated, under oath, that Plaintiffs' IBOOKS is a recognized brand. Moreover, because books published by Plaintiffs, once bought by consumers, sit on bookshelves with Plaintiffs' IBOOKS logo on the spine, Plaintiffs' brand continues to exert influence even after consumers come home from the store.

Simply put, stereotypical market analysis not tailored to the publishing industry, such as that carried out by Apple's experts, does not capture the specific relationship between consumers and brands that exists in publishing. A book is not a disposable consumer product, like a can of soda; people keep books, put them on their shelves (or digital library), and can become exposed to the names of publishers post-sale, over time, in this way, as Plaintiffs' expert Michael Shatzkin explained.

Second, Apple began using the IBOOKS mark in commerce in 2010. Plaintiffs are clearly the senior users of the mark, having used it since 1999. Apple's only claim to priority rests on the purported assignment of the mark from Family Systems to Apple, which was an



invalid assignment in gross. As set forth more fully in Plaintiffs' Motion for Partial Summary Judgment, no evidence exists that any goodwill transferred from Family Systems – which continued to offer the same software and services under a different name – to Apple. Moreover, to the extent that Apple knew that its use of the mark was not the same as the use to which Family Systems had put the mark, its filings with the PTO, representing that the mark had been in use for ten years in the way that Apple uses it, were fraudulent. As a result, Apple's IBOOKS trademark registration, with its 1996 priority date, must be cancelled. Even if the Court does not grant summary judgment to Plaintiffs on this issue, at a minimum, disputed issues of material fact as to Apple's ownership of the registration and its priority preclude summary judgment.

Third, Apple's IBOOKS mark, affixed to software that permits users to purchase books in an "iBookstore" that is "included" in the iBooks app, is likely to cause reverse confusion with Plaintiffs' identical IBOOKS word mark. Apple's argument that its electronic book purchasing and reading application cannot cause consumer confusion with respect to Plaintiffs' imprint on electronic and hard copy print books contradicts generations of well-settled trademark law. With respect to the Polaroid factors showing likelihood of confusion, sharply disputed issues of material fact prevent summary judgment. Plaintiffs' survey expert, Dr. Susan Schwartz McDonald, found that "in a digital-book environment, a significant percentage of consumers would interpret the presence of the word, 'iBooks,' on the information page inside the book to be a source signifier for Apple," leaving approximately 55% of consumers confused. See Chatteraj Opp. Decl. Ex. 101, McDonald Report at 2; Pls. 56.1 Statement Add'l Undisputed Facts ¶ 42.

Plaintiffs' New York common-law claims should be upheld for similar reasons.

Accordingly, Apple's motion for summary judgment should be denied in its entirety, and this action should be calendared for trial.

## **FACTUAL BACKGROUND**

Plaintiffs respectfully refer the Court to Plaintiffs' Statement of Controverted and Undisputed Facts submitted in opposition to Defendant Apple Inc.'s Rule 56.1 Statement for the factual background of this opposition.

## **ARGUMENT**

### **I. Summary Judgment Standard**

In order to obtain summary judgment, the movant must show that there is no genuine dispute as to any material fact and that the movant is entitled to judgment as a matter of law. See Fed. R. Civ. P. 56(c). "The moving party bears the burden of demonstrating the absence of a material factual question, and in making this determination the court must view all facts in the light most favorable to the non-moving party." Mastercard Int'l Inc. v. First Nat'l Bank of Omaha, No. 02 Civ. 3691(DLC), 2004 WL 326708, at \*4 (S.D.N.Y. Feb. 23, 2004) (denying motions for summary judgment on unregistered trademarks) (citing Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 247 (1986); Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986)). The function of the district court in considering the motion for summary judgment is not to resolve disputed issues of fact but only to determine whether there is a genuine issue to be tried. Rattner v. Netburn, 930 F.2d 204, 209 (2d Cir. 1991). "In assessing the record, including affidavits, exhibits, interrogatory answers, and depositions, to determine whether there is a genuine issue as to any material fact, the court is required to resolve all ambiguities and draw all factual inferences in favor of the party against whom summary judgment is sought." Id. "If, with respect to a material fact as to which the moving party contends there is no dispute, there is evidence in the record from which a reasonable inference could be drawn in favor of the nonmoving party, summary judgment is improper." Id.

On this motion, where Apple’s counsel has already stated to the Court that Plaintiffs’ claims and allegations are “fact-intensive,” see Letter from Dale M. Cendali to the Hon. Denise M. Cote, dated Dec. 18, 2012 (docket doc. no. 67), and where the parties have come forward with voluminous submissions of declarations, exhibits and statements, it is readily apparent that there are numerous factual issues in genuine dispute between the parties – issues that must be decided by a trier of fact.

## **II. PLAINTIFFS’ TRADEMARKS ARE ENTITLED TO PROTECTION**

In order to be found valid and protectable, a mark must be capable of distinguishing the products it marks from those of others. Mastercard, 2004 WL 326708, at \*4 (quoting Lane Cap. Mgmt., Inc. v. Lane Cap. Mgmt., Inc., 192 F.3d 337, 344 (2d Cir. 1999)). The classification of trademarks to determine their protectability is a “factual question.” Lane, 192 F.3d at 344. Here, at least three separate and independent bases exist to find Plaintiffs’ IBOOKS trademarks protectable for purposes of this motion: (a) Plaintiffs’ common-law trademark IBOOKS is suggestive, and therefore entitled to protection on that basis alone; (b) alternatively, issues of fact preclude a determination on summary judgment that Plaintiffs’ mark is suggestive or descriptive; and (c) even if Plaintiffs’ mark is deemed to be descriptive, Plaintiffs’ have adduced sufficient evidence of secondary meaning to preclude summary judgment.

### **A. Plaintiffs’ IBOOKS Mark Is Suggestive**

“A mark is suggestive if it merely suggests the features of the product, requiring the purchaser to use imagination, thought, and perception to reach a conclusion as to the nature of the goods.” Lane, 192 F.3d at 344. Suggestive marks are “automatically protected.” Id.

As applied to Plaintiffs’ products – books – the word “ibooks” is suggestive. Apple contends that the letter “i” prefixed to the word means that the “imprint is but one example of many recently-coined words using ‘i’ to refer to the internet,” and therefore is merely

descriptive. Br. at 6 (citing TMEP § 1209.03(d)). But “[t]he focus in categorizing a mark is on how the words are used in context rather than their meaning in the abstract.” Bristol-Meyers Squibb Co. v. McNeil-P.P.C., Inc., 973 F.2d 1033, 1041 (2d Cir. 1992) (citing Abercrombie & Fitch Co. v. Hunting World, 537 F.2d 4, 12 (2d Cir. 1976)). Notably, when Preiss’s company attempted to register the mark “IBOOKS” with the PTO, to be affixed upon “Books, namely, a series of fiction books; non-fiction books in the field of science,” the examining attorney initially rejected the application on grounds of “misdscriptiveness,” because the “i” prefix was in some way misleading, when applied to books. See Plaintiffs’ Local Rule 56.1 Statement in Opposition to Defendant’s Motion for Summary Judgment (“Pls. 56.1 Statement”) ¶¶ 131-32; cf. Perfect Pearl Co. v. Majestic Pearl & Stone, Inc., \_\_\_ F. Supp. 2d \_\_\_, 2012 WL 3526611, at \*9 (S.D.N.Y. Aug. 14, 2012) (“The defining feature of a descriptive mark is that it gives the consumer an immediate idea of the contents of the product.”).<sup>1</sup>

With respect to Plaintiffs’ print books, which constitute the majority of their sales, see Defendant’s Local Rule 56.1 Statement in Support of Motion for Summary Judgment, dated December 21, 2012 (“Def. 56.1 Statement”) ¶ 201, the appearance of the imprint “ibooks” on the cover, combined with the ibooks “light bulb” logo, does not connote the internet. See Colby Decl. ¶ 33. Insofar as Plaintiffs’ logo includes a lower case “i” inside a light bulb, a traditional symbol of an “idea,” the “i” could also suggest the concept of ideas, in connection with books. See Pls. 56.1 Statement ¶ 10. In addition, based on a conversation between Plaintiffs’ principal John Colby and the ibooks founder Byron Preiss, Mr. Colby understood that Mr. Preiss believed that the “i” could stand for the independent, “sentient” identity that he believed books to have.

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<sup>1</sup> Apple notes that its own effort to register IBOOKS was met with a refusal on grounds of descriptiveness, and argues that “There is no reason that Plaintiffs’ alleged mark should be treated any differently.” Defendant’s Memorandum of Law in Support of Motion to Dismiss, dated December 21, 2012 (“Br.”), at 6. Of course, the difference is that Plaintiffs affix the mark as an imprint on books they publish, whereas Apple offers books for sale by download through the iBooks app through the Internet. Pls. 56.1 Statement Add’l Undisputed Facts ¶ 30.

Colby Dec. ¶ 33; Colby 30(b)(6) Dep. 320-22. At least with respect to books, the letter “i” could have several different evocative meanings. See Hasbro, Inc. v. Lanard Toys, Ltd., 858 F.2d 70, 74 (2d Cir. 1988) (“An illuminating explanation of the difference between a descriptive mark that conveys an idea of the characteristics of the product and a suggestive one that requires imagination to divine the nature of the product is that ‘if there is an imaginative factor connecting the name and the product; [if] one suggests the other, but without describing it,’ then the name is suggestive.”) (quoting Information Clearing House, Inc. v. Find Magazine, 492 F. Supp. 147, 156 (S.D.N.Y.1980) (Weinfeld, J.) (suggestive mark “comprehends a variety of items but does not describe any one of them in particular”)).

B. Whether IBOOKS Is Descriptive or Suggestive Is a Disputed Question of Fact

The issue of whether a mark is descriptive or suggestive is a fact question. See Lane, 192 F.3d at 344. Apple contends that the word IBOOKS, when applied to Plaintiffs’ goods, describes the goods as books available for sale on the Internet, relying primarily on certain press releases issued by Plaintiffs’ predecessor describing ibooks, inc. as, among other things, “the first publishing imprint designed to take full advantage of the promotional and distribution potential of the internet.” Def. 56.1 Statement ¶ 6. But the meaning of those press releases is hotly disputed based on other statements therein, see Pls. 56.1 Statement ¶ 6, and there is other evidence suggesting that Plaintiffs’ predecessor did not believe that “ibooks” was intended to evoke the Internet. See Pls. 56.1 Statement ¶¶ 6-10, 131-32 (correspondence with PTO); Colby Dec. ¶ 33; Colby 30(b)(6) Dep. 320-22. Summary judgment on this issue is therefore inappropriate. See Mastercard, 2004 WL 326708, at \*5 (“Determination of whether SMART ONE is a descriptive or suggestive term requires a factual inquiry that precludes summary judgment on this issue.”).

C. Plaintiffs' IBOOKS Trademark Has Developed Secondary Meaning

In the event that the Court determines that Plaintiffs' IBOOKS trademark is descriptive, Plaintiffs' mark is still entitled to protection upon a showing of secondary meaning. Lane, 192 F.3d at 344. Here, Plaintiffs have come forward with substantial evidence of secondary meaning.

The Second Circuit has outlined six factors for determining whether a descriptive mark has acquired a secondary meaning: 1) advertising expenditures, 2) consumer studies linking the mark to a source, 3) unsolicited media coverage of the product, 4) sales success, 5) attempts to plagiarize the mark, and 6) the length and exclusivity of the mark's use. See Gross v. Bare Escentuals Beauty, Inc., 632 F. Supp. 2d 283 (2008) (citing Thompson Med. Co., Inc. v. Pfizer Inc., 753 F.2d 208, 217 (2d Cir.1985)). When evaluating whether secondary meaning exists, no single factor is dispositive. See Kensington Pub. Corp. v. Gutierrez, No. 05 Civ. 10529 (LTS), 2009 WL 4277080, at \*5 (S.D.N.Y. Nov. 10, 2009) (denying summary judgment). Determining secondary meaning is a fact-intensive inquiry that is generally avoided at the summary judgment phase. Gross, 632 F. Supp. 2d at 291 (citing Coach Leatherware Co., Inc. v. AnnTaylor, Inc., 933 F.2d 162, 169 (2d Cir. 1991) ("The careful weighing of evidence necessary to determining secondary meaning renders it an unlikely candidate for summary judgment.")).

In this case, Plaintiffs provided the detailed and fact-specific report of expert witness Michael Shatzkin, who has "50 years of participation in the book in the book-publishing industry, the last 40 of them continuously," and has "worked with most of the major players in the industry as an author, agent, packager, or consultant." (Declaration of Claudia T. Bogdanos in Opposition to Motion to Exclude Testimony of Michael Shatzkin, dated Jan. 25, 2013 ("Bogdanos Decl."), Ex. A (Expert Report of Mike Shatzkin) ("Shatzkin Rep.") at 2.) For the last 20 years, much of his work has focused on digital change in the book-publishing industry.

(Bogdanos Decl., Ex. B (Deposition of Mike Shatzkin, dated Dec. 4, 2012) (“Shatzkin Tr.”) at 45:6-47:4.) Mr. Shatzkin opined as follows:

The iBooks imprint has reached thousands of its niche readers. The records show that during the period when Byron Preiss owned and operated iBooks, it sold about 5 million units, of which nearly 2 million were in the science-fiction genre. Given the propensity of science-fiction readers to stick to their genre, it is reasonable to assume that many thousands, perhaps tens of thousands, of science-fiction readers purchased and read several iBooks titles and thus recognized the iBooks imprint.

In addition, iBooks published works by some very significant science fiction authors, including Ray Bradbury and Arthur Clarke. This further supports the assumption that the imprint would have been known to science-fiction devotees, who pay attention to substantial, recognized authorship.

Because of its specialization, such a niche reader group is aware of authors and individual imprints within the genre - more acutely so than is a general readership. The specialized nature of a genre, such as science fiction, results in a focused reader circle, attuned to the authors and publishers within the particular field.

As a result, at the time the entire industry turned its attention to consumer branding (which can't be assigned a precise date, but which started to happen in the later part of the first decade of the 21st century, and with accelerating speed after Kindle was launched in November 2007), the owners of iBooks would have found themselves with a strong foundation on which to promote iBooks as a science-fiction brand directly to consumers. They had big authors, they had a big backlist, and they had undoubtedly sold enough people – many thousands if not tens of thousands -- multiple titles, to enable that. As previously observed, publishing brands are defined by the content they publish.

Bogdanos Decl. Ex. A at 2. In addition, fact witness Richard Freese, who was the distributor for Plaintiffs' books, and who worked with the company's founder, Byron Preiss, during the start-up and growth of the company, as well as with Mr. Colby, testified that he found the iBooks backlist “attractive” and that “the brand, especially in the science fiction and fantasy area was very strong. They had authors like Isaac Asimov and Arthur C. Clarke and Edgar Rice Burroughs. And they had a very solid base that was well recorded in retail.” Pls. 56.1 Statement

Add'l Undisputed Facts ¶¶ 4-8. Mr. Freese testified that ibooks was a “catch” for Mr. Colby because “when you are distributing independent publishers, when you get a publisher that is over a million dollars, it is significant. And I recall thinking of them as being significant.” Id. ¶¶ 8-9.

By contrast, Apple has solicited the opinion of a marketing expert, Dr. Gregory S. Carpenter, who admittedly has no familiarity with the publishing industry, see Bogdanos Decl. Ex. A at 6-7, who opined that Plaintiffs do not have a “brand.” Pls. 56.1 Statement ¶¶ 16-18. Perhaps because of his “one size fits all” approach, Dr. Carpenter stated that none of the 100,000 imprints of independent book publishers can claim to have “secondary meaning”; only five or six of the largest publishers, Dr. Carpenter posited, could claim to have secondary meaning to consumers. See Bogdanos Decl. Ex. A at 7. Dr. Carpenter’s assertions are wrong, and in any event, they suggest genuine issues of disputed material fact. As set forth in detail below, when the proper standards are applied, Plaintiffs have clearly shown secondary meaning.

Advertising Expenditures. Plaintiffs have documentary evidence of well over \$616,127 in advertising and marketing activities. See Def. 56.1 Statement ¶ 60-61; Pls. 56.1 Statement ¶¶ 60-78; see also Colby Decl. ¶ 56.

Apple contends that, because Plaintiffs’ evidence of “consumer” ads is limited (though still existent), Plaintiffs’ advertising appears to be directed “to the trade.” This argument betrays Apple’s expert’s ignorance concerning the publishing industry. Trade consumers, such as wholesalers, retailers, and distributors, are still consumers. See, e.g., Pls. 56.1 Statement ¶¶ 6-8 (testimony of third-party witness Richard Freese regarding observations of consumer, buyer, and distributor interest in and awareness of Plaintiffs). As Plaintiffs’ publishing-industry expert Michael Shatzkin pointed out, in publishing, “almost no money is spent --or has been spent-- creating consumer awareness or recognition of brands.” (Chattoraj Opp. Decl. Ex. 103, Shatzkin



Report at 5.) In the publishing industry, advertising expenditure is far less important than post-sale exposure and other “earned” goodwill. See id.

Consumer Studies. Plaintiffs did not conduct consumer surveys on secondary meaning, but they did come forward with the report and testimony of an expert witness, Michael Shatzkin, who opined concerning Plaintiffs’ brand strength, as set forth above. Plaintiffs also obtained testimony from a third-party percipient witness, Richard Freese, who testified concerning his awareness of Plaintiffs’ and Plaintiffs’ predecessor’s positive reputation, as indicated above.

Unsolicited Media Coverage. Plaintiffs have adduced substantial evidence of unsolicited media coverage. Pls. 56.1 Statement ¶¶ 98-111.

Sales Success. Plaintiffs have had substantial sales success over the 14 years of their and their predecessors’ existence. Pls. 56.1 Statement ¶¶ 24-59 (authenticating business records and sales recordation).

Attempts to Plagiarize the Mark. Plaintiffs are not aware of such attempts, other than with respect to the conduct underlying the claims in this action.

Length and Exclusivity of the Mark’s Use. Plaintiffs have been using the IBOOKS mark since September 1999 -- much longer than Apple. With regard to the four examples of third-party uses identified by Defendant, Br. at 14-15, there is no evidence that they actually competed with Plaintiffs’ marks, and there is no evidence that any third-party use was well promoted or recognized by consumers. Accordingly, these examples do not weigh in the balance. See Tri-Star Pictures, Inc. v. Unger, 14 F. Supp. 2d 339, 353 (S.D.N.Y. 1998).

“None of the above factors alone is dispositive in determining secondary meaning, nor is it necessary for a party to prove every element.” Id. at 348. Taken together, these factors suggest that Plaintiffs have shown sufficient secondary meaning to have their day in Court. At a

minimum, there are sharply disputed areas of fact in many of these categories, so summary judgment is not appropriate. See Gross, 632 F. Supp. 2d at 291.

### **III. APPLE DOES NOT HAVE PRIORITY OVER PLAINTIFFS**

Apple announced its iBooks application to the public on January 27, 2010, and launched it April 2010. Def. 56.1 Statement ¶¶ 163, 165. Plaintiffs began using their IBOOKS common-law mark in 1999. Id. ¶ 126. Nevertheless, Apple claims that, because of the Family Systems Registration, it can benefit from that registration's priority date in 1996. Br. at 15. Accordingly, the sole basis for Apple's claim of priority is its purported acquisition of the Family Systems trademark registration. As set forth in greater detail in Plaintiffs' December 21, 2012, Motion for Partial Summary Judgment, Apple's agreement with Family Systems, executed mere hours before Apple's announcement of the iBooks app, was an invalid assignment in gross.

Accordingly, Apple is not entitled to "tack on" the Family Systems priority date, and Plaintiffs are the senior users of the IBOOKS mark. As eloquently stated by one of Apple's expert witnesses, "[w]hen the priority rug is pulled out from under the assignee because of an invalid assignment, the assignee may find himself branded as the infringer." SIEGRUN D. KANE, KANE ON TRADEMARK LAW § 21:4 (PLI 2011). Plaintiffs also allege that Apple perpetrated fraud on the PTO in connection with various filings pertaining to the Family Systems mark, as set forth in detail below. Both of these theories, if proven, would render the mark invalid, and give rise to its cancellation, regardless of any alleged incontestability of the registration.

#### **A. Apple's Purported Acquisition of the Mark from Family Systems Was an Invalid Assignment in Gross**

Apple's iBooks software is an entry point for consumers to buy, download, store and read published books and other written materials on their Apple-branded mobile devices. Based on the testimony of the only deponent witness with personal knowledge, Family Systems' software

was a Wiki-like collaboration tool; even if it were possible to load a published book into it, that was not its intended purpose. Pls. 56.1 Statement ¶¶ 143, 158. Based on this difference alone, Apple could not possibly have acquired “goodwill” from Family Systems in connection with its naked acquisition of the Family Systems registration. Indeed, Apple’s iBooks software was already created and about to launch before Apple approached Family Systems about the potential acquisition.

Apple has adduced virtually no evidence that it acquired any goodwill from Family Systems in connection with its purchase of Family Systems’ trademark registrations. As set forth in Plaintiffs’ December 21, 2012, Motion for Partial Summary Judgment, which is incorporated herein by reference:

- The assignment agreement did not convey any of Family Systems’ other intellectual property, such as the several patents that Family Systems had obtained for its iBook “interactive web-collaboration system,” which Family Systems marketed to individuals and businesses that wished to collaborate or contribute to common projects on the Internet.
- It did not require Apple to continue to offer the same services through the [www.iBook.com](http://www.iBook.com) website – which URL Apple redirected to the web page [www.apple.com/ipad/built-in-apps/](http://www.apple.com/ipad/built-in-apps/), where the iBooks software appears several screens down.
- It did not provide for the transfer of any of Family Systems’ tangible assets, such as Internet servers, data rooms or offices.
- It did not include any transfer of customer or email lists, or market research data, or business plans.
- It did not call for any of Family Systems’ employees, including the visionary CEO who founded the company to bring his ideas to the marketplace, to be employed by Apple.

- Although Family Systems apparently changed to VERBOL the name of the software it once called iBook, Family Systems continued to use and distribute that software.

Long-established principles require invalidation of this assignment. See, e.g. Levitt Corp. v. Levitt, 593 F.2d 463, 468 (2d Cir. 1979) (“When a business purchases trademarks and goodwill, the essence of what it pays for is the right to inform the public that it is in possession of the special experience and skill symbolized by the name of the original concern, and of the sole authority to market its products.”).

Faced with these undisputed facts, Apple instead tries to mischaracterize the testimony of Richard Goldhor, the only witness who testified concerning Family Systems’ products based on personal knowledge, and Steve Gedikian, the Apple executive (and 30(b)(6) representative) responsible for the iBooks app, in order to create the misimpression that the iBooks app is substantially similar to the Family Systems iBook web collaboration software. As set forth in detail in Plaintiffs’ Local Rule 56.1 Statement, however, Apple’s assertions concerning the nature of the Family Systems product, and its alleged similarities to Apple’s iBooks application, are specious. Pls. 56.1 Statement ¶¶ 143-162.

Moreover, these allegations boil down to Apple’s assertions that, because the goods and services set forth on Family Systems’ registration certificate were “computer software used to support and create interactive, user-modifiable electronic books,” the Apple iBooks app is “substantially similar” to the Family Systems software if aspects of the iBooks app can, through semantics, be deemed to be “interactive” or “user-modifiable.” See Br. at 19-20. But this is not the law. The registration certificate language does not control what is covered by the trademark; instead, the actual goods or services with which the mark was used (here, the Family Systems “web collaboration system”) determine the scope of the trademark and goodwill. See Lane, 192

F.3d at 345 (“[T]he statute does not state that the certificate of registration is itself evidence of how the public actually views the mark, and we conclude that the certificate does not constitute evidence of this fact as such.”). In any event, Apple’s effort to shoehorn the iBooks app into the Family Systems mold is belied by undisputed facts. See Pls. 56.1 Statement Add’l Undisputed Facts ¶¶ 31-36; see also, e.g., Boathouse Group, Inc. v. Tigerlogic Corp., 777 F. Supp. 2d 243, 251-52 (D. Mass. 2011) (finding assignment in gross, negating priority, of mark for social-network interaction software when assignee’s product was application premised on access to information generated by user’s social network and had ability to aggregate information or allow user to search, edit and delete content, whereas assignor’s product was a “plugin,” an optional feature designed to work with specific software, had limited functionality, required the user to input content, lacked search feature and did not rely on or require access to user’s social network to function).

To the extent that Apple wished to forestall a conflict with Family Systems, it need not have procured an assignment in gross. It is revealing, however, that Apple’s internal invoice concerning the Family Systems payment describes it as an “iBook settlement payment.” See Dec. 21, 2012 Chatteraj Decl. in Support of Motion for Partial Summary Judgment Ex. 21 at APPLE-IBOOKS 0033432. See Clark & Freeman Corp. v. Heartland Shoe Co., Inc., 811 F. Supp. 137 (S.D.N.Y. 1993) (finding assignment in gross where assignment was effected to resolve assignor’s threatened opposition to assignee’s attempt to register mark on dissimilar product).

**B. Apple’s Registration Should Be Cancelled for Fraud on the PTO**

The Lanham Act provides for cancellation at any time of a trademark registration that was fraudulently obtained. See 15 U.S.C. § 1064(3). Misrepresentations in a PTO filing provide a basis for cancelling the registration if the misstatements (1) were made with knowledge of their

falsity, and (2) were material to the determination to grant the registration. See Mears v. Montgomery, No. 02 Civ. 0407, 2004 WL 964093, at \*16 (S.D.N.Y. May 5, 2004) (granting summary judgment cancelling music group’s trademark registration obtained by fraudulent material statements during application process); Patsy’s Italian Rest., Inc. v. Banas, 575 F. Supp. 2d 427, 464 (E.D.N.Y. 2008) (ordering cancellation of trademark registrations based on defendant’s failure to notify PTO of trademark’s previous use), aff’d, 658 F.3d 254 (2d Cir. 2011). An applicant’s statements to the PTO must reflect “uncompromising candor.” City of New York v. Tavern on the Green, L.P., 427 B.R. 233, 242-43 (S.D.N.Y. 2010) (granting summary judgment and cancelling debtor’s trademark for fraud on the PTO) (internal citation omitted).

Here, Apple has played fast and loose with the PTO. As set forth above, Apple utilized a sham transaction with Family Systems to claim a false priority in its registration of the IBOOK mark – a registration it then sought to shoehorn into IBOOKS, through a knowingly false “amendment,” for use with its iBooks software application and bookstore. As an apparent fallback, in April 2010, Apple also filed a new IBOOKS trademark application with the PTO, seeking to cover its use of IBOOKS with the sale of books and publications, as well as the software application that it was in the process of releasing; when Plaintiffs in this action pointed out that this application constituted an admission that iBooks was in the business of selling books and Apple’s purported IBOOKS trademark therefore infringed directly on Plaintiffs’ trademark, Apple belatedly sought to delete from that application all of the allegedly conflicting classes of use. All of these machinations required knowing and materially false statements to be included in Apple’s PTO filings. These misstatements provide a separate and independent ground for cancelling Apple’s registration of the IBOOKS mark.

1. Apple's Recordation of the Family Systems Assignment and Subsequent Renewal of the 634 Registration Were Fraudulent

On February 4, 2010, the day Apple paid Family Systems for the naked assignment of the IBOOK 634 Registration, Apple filed a recordation of the assignment of the 634 Registration with the PTO. (See Pls. 56.1 Statement ¶ 166.) In substituting Apple and its attorneys of record in that registration, Apple represented that it was continuing to use the IBOOK mark as the assignor had previously used it, and Apple's filings stated that Family Systems had transferred all goodwill in connection with the IBOOK mark to Apple. (See Jarrett Decl. Ex. 92.) These statements were fraudulent when made. In reality, as set forth in greater detail above, no goodwill was transferred with the assignment agreement, notwithstanding that agreement's boilerplate statement that goodwill was in fact transferred, and Apple was not continuing to use the IBOOK mark in connection with the same goods and services as the previous Family Systems registration.

At the time that Apple filed the recordation and claimed ownership of the registered trademark IBOOK for computer software used to support "interactive, user-modifiable books," Apple was aware of Plaintiffs potential claims against it, and Apple was also aware that its use of the Family Systems Mark was totally different from, and not in continuity with, the use that Family Systems had made. Apple's statements to the contrary -- alleging that Apple's "first use in commerce" of the IBOOK mark took place on October 27, 2000, based on Family System's first use of the IBOOK trademark -- are flatly incorrect and obviously misleading. This deception is exacerbated by the specimens submitted by Apple in connection with the registration; with each of the specimens, Apple includes web pages showing the iBooks app as it appears on Apple's websites or in the iTunes software. Apple's statement to the PTO that these specimens evidence the use to which the IBOOK mark had been put since October 2000 is false,

or at least substantially misleading.

Similarly, on June 7, 2010, Apple filed a required Declaration of Continued Use and Application for Renewal for the 634 Registration, pursuant to sections 8 and 9 of the Lanham Act. (See Jarrett Decl. 94.) In the Section 8 Declaration of Continued Use, Apple stated that “the mark is in use in commerce on or in connection with ALL goods or services listed in the existing registration.” (See *id.*) At that time, the 634 Registration recited that it covered only “computer software used to support and create interactive, user-modifiable electronic books.” As indicated above, Apple was actually using the IBOOKS mark in connection with downloadable books and electronic transmission of streamed and downloadable content, not in connection with the goods and services offered by Family Systems. The specimen of use that accompanied the declaration showed Apple’s use of the IBOOK mark on its website and in the iTunes store, altogether different from the Family Systems specimens of use previously submitted. (Compare Chatteraj Declaration in Support of Plaintiffs’ Motion for Partial Summary Judgment (“Chatteraj Decl.”) Ex. 33, with Chatteraj Decl. Ex. 72.)

Given the substantial differences between the Family Systems specimens and the Apple specimens (compare Chatteraj Decl. Ex. 33 to Chatteraj Decl. Ex. 72.), the conclusion is inescapable that Apple knew that it was making a different use of the mark, that the Family Systems Assignment Agreement did not provide for any transfer of any actual goodwill from Family Systems to Apple, but that Apple purposely concealed this information from the PTO in order to obtain the “priority” in the use of IBOOK to which Family Systems was allegedly entitled. See Ushodaya Enterprises, Ltd. v. V.R.S. Int’l, Inc., 63 F. Supp. 2d 329, 335-337 (S.D.N.Y. 1999) (PTO directed to cancel mark based on knowingly material misrepresentations submitted in support of trademark application). Fraud on the PTO includes situations where an



applicant misleadingly declares that a mark was “in use” during a time it was not. See Tavern on the Green, 427 B.R. at 243 (granting summary judgment and cancelling debtor’s trademark for fraud on the PTO where debtor knowingly misstated the date of first use in commerce in the registration application.).

2. Apple’s May 17, 2010 Amendment to the 634 Registration Contained Knowing Falsehoods

As indicated above, the mark that Apple purported to acquire from Family Systems was IBOOK, in connection with “computer software used to support and create interactive, user-modifiable electronic books.” Although Family Systems used the mark to describe its “web collaboration system,” such that the singular form of the word mark made sense, the singular form did not work, and would not work, as a signifier of Apple’s book buying, downloading and reading software. A plural form of the word is necessary to invoke the many books available for sale and for download through the iBooks app, features central to the consumer experience of the iBooks app. In the May Application, Apple reiterated its knowingly false claim that the iBooks mark was first used in commerce on October 27, 2000 in the same way as Apple used it, and also falsely stated that

the proposed amendment to the mark does not materially alter the character of the mark in the registration and does not render it sufficiently different to require publication. The new form of the mark has the same meaning as, and contains the essence of, the original mark. The addition of “S” – changing the mark from IBOOK to IBOOKS – creates the impression of being essentially the same mark, so that consumers will readily understand the mark to be the same.

U.S. Trademark Reg. No. 2,446,634, at Section 7. Apple’s statement is misleading. In reality, consumers would be mystified by the name IBOOK for a product that purports to “include” a bookstore. (See Def. 56.1 Statement ¶ 168.) Apple’s programming, branding, design, and sales

efforts depended on just the opposite – on the belief that the public would begin associating iBooks with its brand new electronic book and reading delivery application. (See Pls. 56.1 Statement Add'l Undisputed Facts ¶ 30.) Just as with the Family Systems assignment in the first place, this amendment seeks to conceal the basic differences between the previous and the current uses of the 634 Registration, in an effort to obtain the benefit of Family Systems' earlier date of first use. The filing was made knowingly, and with intent to mislead, in order to further the transformation of the original 634 Family Systems Registration from IBOOK (a web collaboration system) to IBOOKS (software to purchase, download and read books), while supposedly preserving Apple's connection to the earlier priority date it desires. Simply put, the law need not countenance such gamesmanship.

3. Apple's April 7, 2010 Application for a New IBOOKS Registration and its Subsequent Amendment Were Fraudulent

On April 7, 2010 (the "April Application"), having already allegedly purchased the IBOOK mark from Family Systems, Apple filed a new trademark application that sought to expand the International Classes of goods and services with which Apple's IBOOKS mark could be used. (See PTO Application Serial No. 85/008,412.) This application was filed at approximately the same time as the iBooks app was first made available to the public, and it was predicated on Apple's January 25, 2010 foreign registration of the IBOOKS mark with the trademark registry in Trinidad and Tobago. See *id.* The application listed six International Classes in which the IBOOKS mark was allegedly in use, including 009 (downloadable electronic publications in the nature of books, plays, pamphlets, brochures, newsletters, journals, magazines and periodicals on a wide range of topics of general interest), 016 ("printed matter"; periodicals, books, magazines, newsletters, brochures, booklets, pamphlets, manuals, journals, and leaflets on a wide range of topics of general interest), 035 ("retail store services in the field

of books”), 038 (“telecommunications services”; “electronic transmission of streamed and downloadable publications for browsing over computer networks, namely books, magazine, periodicals . . .”), 041 (“educational and entertainment services; providing electronic books . . .”), and 042 (“design and development of computer hardware and software”). *Id.* In a December 29, 2010 response to the PTO’s refusal to allow this application for publication, Apple claimed that this list of uses “merely seeks to expand Apple’s registration of the IBOOKS mark to goods and services related to those for which the mark is already registered,” citing the Family Systems registration and its IBOOK notebook-computer registration. (See Chatteraj Decl. Ex. 74.)

On or about March 6, 2012, during the pendency of this action, Plaintiffs’ predecessor counsel emailed a proposed draft of Plaintiffs’ Amended and Supplemental Complaint to Apple’s counsel, and indicated that Plaintiffs intended to add allegations arising from Apple’s April Application. See Pls. 56.1 Statement Add’l Undisputed Facts ¶ 26. On March 13, 2012, Apple filed a Trademark/Service Mark Amendment to Allege Use form (the “Amendment Form”) with the PTO on March 13, 2010. See Pls. 56.1 Statement Add’l Undisputed Facts ¶ 27. The Amendment Form deleted three classes – 016, 038, and 041 -- from the allegations of use contained in the April Application, including “periodicals, books, magazines, newsletters, brochures, booklets, pamphlets, manuals, journals, and leaflets on a wide range of topics of general interest” and “downloadable electronic publications in the nature of books,” among other things. *Id.* (Notably, Apple retained all of these classes in its pending application for registration of the IBOOKSTORE mark (see Chatteraj Decl. Ex. 75), even though Apple’s own press releases make clear that the iBooks app “includes” the iBookstore. See Chatteraj Opp. Decl. Ex. 78.)

For purposes of opposing Defendant's Motion for Summary Judgment, at least two plausible inferences can be drawn from Apple's course of conduct. Either Apple included knowingly false uses or intended uses for the IBOOKS mark when Apple submitted the April Application to the PTO, or Apple deliberately attempted to circumvent Plaintiffs' infringement claims and their efforts to discover information regarding Apple's sales of electronic books, by fraudulently deleting all statements of use Apple believed could be exposed to Plaintiffs' infringement claims. Although proof of these factual theories, which would also invalidate Apple's '634 registration, must await the trial of this matter, the evidence underlying this claim gives rise to genuine issues of disputed fact, preventing summary judgment based on Apple's alleged priority. See, e.g., Declaration of Robert T. Scherer, dated January 25, 2013, Ex. B (Scherer Expert Report), at 29-32 (summarizing evidence); Haggar Int'l Corp. v. United Co. for Food Indus. Corp., No. 03 CV 5789(Arr), 2011 WL 67049, at \*5-\*6 (E.D.N.Y. Jan. 10, 2011) (denying summary judgment on fraud on the PTO claim based on disputed issues of fact).

**IV. THERE IS A LIKELIHOOD OF CONFUSION BETWEEN THE PARTIES' IDENTICAL MARKS ON RELATED GOODS**

This is a textbook reverse-confusion case. Plaintiffs' iBooks imprint had developed a following in certain literary genres, and were poised to market directly to consumers, when Apple released its reading and purchasing application, bearing the identical word mark, and almost immediately made it infeasible for Plaintiffs to utilize the IBOOKS mark, utterly swamping and obliterating Plaintiffs' senior mark. See Bogdanos Decl. Ex. A at 8. Apple now contends that there can be no likelihood of confusion between these two identical word marks associated with the sale and reading of books. This contention is incorrect.

To assess the likelihood of confusion between two marks, a court must balance the eight factors set forth in the landmark case of Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492, 495 (2d Cir.1961). These nonexclusive factors are the strength of the moving party's mark, the

similarity between the two marks, the proximity of the products, the likelihood of bridging the gap, actual confusion, the sophistication of consumers, the existence of bad faith on the part of the non-moving party, and the quality of the non-moving party's products.

Mastercard, 2004 WL 326708, at \*5. "If a factual inference must be drawn to arrive at a particular finding on a Polaroid factor, and if a reasonable trier of fact could reach a different conclusion, the district court may not properly resolve that issue on summary judgment." Id. (quoting Patsy's Brand, Inc. v. I.O.B. Realty, Inc., 317 F.3d 209, 215 (2d Cir. 2003)).

A. Saturation of the Market

"Reverse confusion occurs when a bigger and better-known junior user saturates the market with a similar trademark and overwhelms the senior user. The public comes to assume the senior user's products are really the junior user's or that the former has become somehow connected to the latter." First Nat'l Bank of Omaha v. Mastercard Int'l Inc., No. 03 Civ.

707(DLC), 2004 WL 1575396, at \*12 (S.D.N.Y. 2004) (quotation marks and citation omitted).

In this case, there is overwhelming evidence of saturation of the book market. As Plaintiffs' survey expert Susan Schwartz McDonald observed:

The survey confirms my opinion that since early 2010, iBooks has become a strong source indicator for Apple, and that Apple's mark creates significant confusion at present and potentially greater confusion in the future, producing two unfortunate consequences: this confusion deprives the market of correct information about the source of Plaintiffs' products, and it deprives Plaintiffs of meaningful control over the destiny of their 16-year old brand. (Chattoraj Decl. Ex. 101, McDonald Report at 1.)

Dr. McDonald further observed:

In response to Q. 1, just over 55% (55.4%) of Test Arm respondents named either Apple or iTunes (and no other company), compared with 2% of Control Arm respondents who named Apple or iTunes (and no other company). Using that most conservative reading of Apple source attributions, the net percent of unique Apple (or iTunes) source attributions is 53% ± 6% (p=.05), meaning that we can say with 95% confidence that the true value lies between 47% and 59%. Looking at exclusive Apple/iTunes mentions provides us with the most definitive

measure of source identification (those answers to which respondents were most committed). If, however, we include the percent of Apple responses that were suggestive but not definite or were part of dual company mentions, the net source confusion calculation is 60% minus 9%, or 51% ± 7% , i.e., between 44% and 58%.

Although 15% of Test-Arm respondents did not name a specific company as the source of iBooks, it is interesting to note that only 1% (four people) offered up (generically) “the publisher” as the company making the book available, with or without specific brand mentions. (Chattoraj Opp. Del. Ex. 101, McDonald Report at 15.)

This extremely high rate of confusion led Dr. McDonald to opine:

If the presence of the name “iBooks” on your very own title page (where books declare their intellectual origins and their publication history), suggests to consumers that Apple had some hand in making that book available, then you might as well just drop your own name and find another one altogether. There is no loss of brand equity more complete than the inability of a brand to “mean” who it is and, instead, to be forced by the encroachment of another to “mean” who it isn’t. (Chattoraj Opp. Del. Ex. 101, McDonald Report at 19.)

This result is exactly what the reverse confusion doctrine exists to prevent. See, e.g., First Nat’l, 2004 WL 1575396, at \*12 (“The senior user is harmed if its trademark is deprived of its ability to identify and distinguish its services or if purchasers erroneously believe the senior user is infringing the mark of the junior user.”) (citing W.W.W. Pharm. Co. v. Gillette Co., 984 F.2d 567, 571 (2d Cir. 1993)).

Apple contends that its mark cannot saturate Plaintiffs’ market because the parties’ products are in different markets. This contention is disposed of below.

#### B. Analysis of Polaroid Factors

Strength of the Mark. In a reverse confusion case, the strength of the junior user’s mark is at issue. See Sunenblick v. Harrell, 895 F. Supp. 616, 626 (S.D.N.Y. 1995). For the reasons set forth above with respect to the suggestiveness of Plaintiff’s IBOOKS mark, Plaintiffs’ mark is not “conceptually weak.” First Nat’l, 2004 WL 1575396, at \*13. However, as indicated by

the exorbitant 55% rate of confusion revealed in Dr. McDonald's survey, as well as the quantity of Plaintiffs' sales relative to that of Defendant, Plaintiffs' mark has clearly, in the two years since Apple announced iBooks, become commercially weak. This factor therefore weighs in favor of Plaintiffs. See id.

Similarity Between the Marks. The marks affixed to Apple's e-book reading software and to Plaintiffs' imprint both utilize the word IBOOKS. Apple focuses on the differing capitalizations and the slightly different serif on the small "i," as between the two marks. Based on Dr. McDonald's survey, however, these small differences do not appear to have any effect on consumers.

In certain circumstances – for example, in every instance that Publishers Weekly reported on the company or imprint from at least 2002 through the present – Plaintiffs' name has been spelled "iBooks," the same way as Apple's app is named, not "ibooks." Pls. 56.1 Statement ¶ 106. Apple accuses Plaintiffs of attempting to create false similarity between the marks, based on the appearance of this spelling on several printings of Plaintiffs' books. This accusation is baseless. The printings resulted from anomalies in the way Plaintiffs were listed by Amazon without Plaintiffs' intervention, which anomalies apparently fluctuate – perhaps as a result of Amazon's reverse confusion – and which caused Plaintiffs to attempt to conform to Amazon's listings. See Colby Decl. ¶¶ 58-64.

In any event, Dr. McDonald has run additional surveys, specifically focused on the question whether the difference in capitalization of the letter "b" has any effect on consumer confusion:

To demonstrate that the upper case "B" in my original survey did not, in fact, have a material effect (and that the difference in survey findings actually has more to do with the way [Defendant's expert witness Nowlis's] questions were conceived and framed), I conducted a sur-

rebuttal survey that precisely replicates my original survey in every respect save one: use of a lower case “b” in both the Test and Control Arms (ibooks and ebooks) instead of an upper case “B.” I made no other changes in study design because I am persuaded that the original methodology requires no adjustments. (Chattoraj Opp. Decl. Ex. 102, Supplemental McDonald Report at 1.)

Even when changing stimuli in this fashion, the confusion levels were similar:

In response to this key question, 55% of Test Arm respondents named either Apple or iTunes (and no other company) compared with only 2% of Control Arm respondents. Using a conservative reading of Apple source attributions (i.e. excluding responses that were merely speculative or suggestive of Apple), the net percent of unique Apple/iTunes source attributions is  $53\% \pm 6\%$  ( $p=.05$ ), meaning that we can say with 95% confidence that the true value lies between 47% and 59%. This number is literally and statistically identical to the results of the prior “iBooks” confusion survey. If we take a more inclusive approach and count as confused the percent of Apple responses that were merely suggestive but not definite (“maybe Apple”) or were part of dual company mentions, the net source confusion calculation produces a slightly higher number: 59% minus 8%, or  $51\% \pm 6\%$ . This number, too, is statistically unchanged from the corresponding figure in the prior survey. (Chattoraj Opp. Decl. Ex. 102, Supplemental McDonald Report at 3.)

Based on this data, Dr. McDonald formed the following opinion:

Based on these findings, it is evident that capitalization of the “B” in iBooks had no bearing on results of the initial survey; consumers attend exclusively to the letter “i” in making these source attributions and may or may not even be aware of whether Apple uses a capital “B.” There can be no doubt that, in the minds of book readers who make some use of digital devices to read them, “i is for Apple,” meaning that consumers have been conditioned to attach Apple source attributions to the “i,” and that even if not familiar with “iBooks” or “ibooks,” they assume it to be an Apple source signifier. The emerging rule is so powerful in the minds of consumers that these results may understate the degree to which actual iBooks awareness played a role in their source attributions. (Chattoraj Opp. Decl. Ex. 102, Supplemental McDonald Report at 6.)

The Proximity of the Products. Apple contends that, because the iBooks app is a software application to purchase, download and read electronic books on a mobile device, whereas Plaintiffs’ IBOOKS mark is the imprint of a publishing house that sells books, there is no likelihood of confusion. This contention is not consistent with Apple’s repeated public



statements that the iBooks app “includes” iBookstore, and the functionality of purchasing books and generating revenues for Apple. Pls. 56.1 Statement ¶ 178. Moreover, this contention is contrary to the doctrine of “complementary goods”: If a similar mark appears on “complementary goods” – in the sense that they might be used together, such as electronic books and book reading software – “then there may be a strong likelihood that buyers will think that there is some connection between the sources of such goods.” MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:26, at 24-73 (West 2011) (including as examples “wine and restaurant services” and “computer programs and modems”). As set forth in McCarthy and related treatises, there is no absolute rule rejecting theories of confusion between related, but not directly competitive goods. See id. §§ 24:5-24:60.

It also appears that there exists confusion, even among Apple employees, as to whether the mark iBooks denotes the software application used for purchasing, downloading and reading books, or the books that consumers download and read using the application. In its own marketing survey of consumers, Apple posed the question, “Approximately how many free and paid for iBooks have you downloaded from the iBookstore since you started using it?” Pls. 56.1 Statement of Add’l Undisputed facts ¶ 45. Likewise, Defendant’s witness Grace Kvamme testified that there was so much confusion internally related to the proper usage of the term iBooks as late as March 2012, as reflected in various internal emails produced by Apple, that the Apple marketing group for the iBooks application felt it necessary to hold a meeting just to clarify how iBooks and other related terms should be used both internally and externally. Pls. 56.1 Statement of Add’l Undisputed facts ¶¶ 46-47. Similarly, Apple’s CEO Steve Jobs used the word “iBooks” to mean “book downloaded and read” in various instances, including in a Time Magazine article. See Pls. 56.1 Statement Add’l Undisputed Facts ¶¶ 47-48. Among the general

public, as seen in various media accounts, this confusion is endemic, including in books released in order to teach consumers about the operation of the iPad and iBooks software. See Pls. 56.1 Statement Add'l Undisputed Facts ¶ 48. To the extent that consumers conflate the name iBooks (for the application) with the books downloaded through that application, confusion between Apple's mark and Plaintiffs' mark, as applied to books and electronic books, is more likely.

In this instance, the relatedness of the parties' products at least gives rise to a genuine issue of disputed fact.

Likelihood of Bridging the Gap. Plaintiffs' expert witness Michael Shatzkin explained in his report that Plaintiffs' "specialization in a genre that is characterized by customers that make repeat purchase in the genre suggests a core audience that would recognize it as a publishing specialist. It is thus reasonable to surmise that were there no distractions suggesting the iBooks brand meant something else (namely Apple and/or Apple's iBooks/iBookstore), it is likely that the publishers of iBooks would have had the opportunity to build on that awareness and create a powerful niche brand in the digital space." (Chattoraj Opp. Decl. Ex. 103, Shatzkin Report at 5.) Mr. Colby likewise explained the steps he was taking to ensure his company was prepared to make that leap before Apple's infringement of their mark. See Colby Decl. ¶ 47-57. Dr. McDonald, a marketing and survey expert, opined that because of Apple's infringement, "the future is even more diffuse and fluid because, left to their natural course, Plaintiffs would have had various avenues in which to display and grow their mark, in multiple distribution and reading environments." (Chattoraj Opp. Decl. Ex. 101, McDonald Report at 7.)

Actual Confusion. Plaintiffs' expert Dr. Susan McDonald concluded through her survey that "in a digital-book environment, a significant percentage of consumers would interpret the presence of the word, "iBooks," on the information page inside the book to be a source signifier

for Apple.” (See Chatteraj Opp. Decl. Ex. 101, McDonald Report at 2.) Dr. McDonald’s Supplemental Survey found that this was unaffected by the manner in which the “B” in the IBOOKS mark was displayed:

[I]t is evident that capitalization of the “B” in iBooks had no bearing on results of the initial survey; consumers attend exclusively to the letter “i” in making these source attributions and may or may not even be aware of whether Apple uses a capital “B.” There can be no doubt that, in the minds of book readers who make some use of digital devices to read them, “i is for Apple,” meaning that consumers have been conditioned to attach Apple source attributions to the “i,” and that even if not familiar with “iBooks” or “ibooks,” they assume it to be an Apple source signifier. The emerging rule is so powerful in the minds of consumers that these results may understate the degree to which actual iBooks awareness played a role in their source attributions. (Chatteraj Opp. Decl. Ex. 102, Supplemental McDonald Report at 6.)

Dr. McDonald’s report and survey protocol provide powerful evidence of actual confusion, and strongly favors a finding of likelihood of confusion.

If the Court determines not to consider Dr. McDonald’s evidence of actual confusion on this motion, however, such a determination does not preclude an ultimate finding of likelihood of confusion, and certainly does not mandate summary judgment. See Medisim Ltd. v. BestMed LLC, No. 10 CV. 2463 (SAS), 2012 WL 5954757, at \*11-\*12 (S.D.N.Y. Nov. 28, 2012) (finding that Plaintiffs had offered sufficient evidence to permit a jury to conclude there was likelihood of confusion, despite Plaintiffs’ lack of evidence of any actual confusion).

Sophistication of Consumers. Plaintiffs’ expert Michael Shatzkin noted that Plaintiffs’ “specialization in a genre that is characterized by customers that make repeat purchase in the genre suggests a core audience that would recognize it as a publishing specialist.” (Chatteraj Opp. Decl. Ex. 103, Shatzkin Report at 5.)

Existence of Bad Faith of Non-Moving Party. Instances of bad faith by Apple are alleged in various contexts herein, but in any event, Apple is now barred from arguing against any

imputation of bad faith with respect to (1) its decision to proceed after learning of – at minimum – Plaintiffs’ predecessor’s existence, and (2) its decision to proceed with the iBooks mark after hearing from Plaintiffs’ principal on January 29, 2010, see Pls. 56.1 Statement ¶ 238; see also Colby Decl. ¶ 67, because Apple has invoked the attorney-client privilege to thwart inquiry into these areas.

For example, in support of their argument that no likelihood of confusion exists, Defendants have sought to include 19 paragraphs of evidence with regard to their trademark search and clearance process in their Local Rule 56.1 Statement of Undisputed Facts. (See Def. 56.1 Statement ¶¶ 154-172.) However, Defendant has also withheld all documents reflecting communication between Apple and its attorneys concerning that process (see Pls. 56.1 Statement of Undisputed Facts ¶ 38), and instructed witnesses not to answer questions pertaining thereto, even when the only evidence of certain “good faith” activities was reflected in such communications (see id. ¶ 39), stating repeatedly that it was not relying on an advice of counsel defense in this action. (See id. ¶ 37.) Under these circumstances, Defendant is precluded from offering evidence of its purported good faith. “Indeed, a party cannot be permitted, on the one hand, to argue that it acted in good faith and without an improper motive and then, on the other hand to deny . . . access to the advice given by counsel where that advice . . . played a substantial and significant role in formulating actions taken by [the defendant].” Arista Records LLC v. Lime Group LLC, No. 06 CV 5936 (KMW), 2011 WL 1642434, at \*2 (S.D.N.Y. Apr. 20, 2011); E.G.L. Gem Lab Ltd. v. Gem Quality Inst., Inc., 90 F. Supp. 2d 277, 296 n.133 (S.D.N.Y. 2000) (assertion of attorney-client privilege at defendant’s deposition precluded evidence of reliance on counsel to negate “bad faith” allegations).

Quality of the Non-Moving Party’s Products. This factor appears to be neutral.

V. **PLAINTIFFS' RELATED STATE-LAW CLAIMS ARE SUBJECT TO SIMILAR STANDARDS AND ARE THEREFORE NOT SUBJECT TO DISMISSAL**

For the reasons set forth above, Plaintiffs' state law claims should also be sustained.

The same standard that applies to Plaintiffs' federal claim also applies to their New York unfair competition claim.<sup>2</sup> "Under New York law, a common-law claim for unfair competition rests on the bad faith misappropriation of the labors and expenditures of another, likely to cause confusion or to deceive purchasers as to the origin of the goods." Best Cellars, Inc. v. Wine Made Simple, Inc., 320 F. Supp. 2d 60, 83 (S.D.N.Y. 2003) (internal citations omitted) (summary judgment not warranted where there existed disputed issues of material fact as to both the defendant's good faith and likelihood of confusion).

Plaintiffs' claim of wrongful misappropriation by unfair competition should also survive summary judgment as there are disputed issues of material fact as to likelihood of confusion. See Randa Corp. v. Mulberry Thai Silk, Inc., No. 00 CIV 4061 (LAP), 2000 WL 1741680, at \*5-6 (S.D.N.Y. Nov. 27, 2000). ("Unfair competition claims under New York law closely resemble Lanham Act claims except the state law claim may require an additional element of bad faith or intent.") (emphasis added, internal citations omitted). Randa specifically found summary judgment appropriate because there was no disputed issue as to likelihood of confusion; that is clearly not the case here. See id. at \*5-6. Additionally, for the reasons previously stated, even if it were necessary to find evidence of bad faith under New York law, as Plaintiffs have shown, an issue of material fact with respect to bad faith clearly exists.

Plaintiffs' state law claim for unjust enrichment under New York law must also survive as there are disputed issues of fact with regard to Defendant's bad faith. To state a claim of

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<sup>2</sup> Plaintiffs no longer press their claim for conversion, based on their current understanding of the facts in this action and the current state of discovery.

unjust enrichment under New York law, the plaintiff must allege “(1) that the defendant was enriched; (2) that the enrichment was at the plaintiff’s expense; and (3) that the circumstances are such that in equity and good conscience the defendant should return the money or [benefit] to the plaintiff.” Golden Pac. Bancorp v. FDIC, 273 F.3d 509, 519 (2d Cir. 2001). In fact, Plaintiffs’ principal informed Apple of their infringement of his mark two days after the announcement of the iBooks application, but months before it was actually launched, yet Apple still chose to ignore Plaintiffs’ rights and proceed to market. See Pls. 56.1 Statement ¶¶ 238, 239, 243-245.

### **CONCLUSION**

For the foregoing reasons, Defendant’s Motion for Summary Judgment should be denied in its entirety.

Dated: New York, New York  
January 25, 2013

Respectfully submitted,

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