

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

J.T. COLBY & COMPANY, INC. d/b/a/)
BRICKTOWER PRESS, J. BOYLSTON &)
COMPANY, PUBLISHERS LLC and)
IPICTUREBOOKS LLC,)
)
Plaintiffs,)
)
-against-)
)
APPLE INC.,)
)
Defendant.)

Case No. 11 Civ. 4060 (DLC)

**DECLARATION OF
ROBERT T. SCHERER**

ROBERT T. SCHERER hereby declares, under penalty of perjury, pursuant to 28 U.S.C. § 1746, as follows:

1. I was retained by Plaintiffs' counsel to provide my expert analysis and opinions concerning various matters in the above-captioned litigation. I am over the age of 18 and not a party to this action. I make this declaration, based on my own personal knowledge, in opposition to the motion of Defendant Apple Inc. ("Apple") to exclude any testimony, arguments or evidence regarding my expert reports and opinions in this matter ("the Motion").
2. I make this declaration in order to provide evidentiary details for the opinions I have expressed in my reports and my deposition testimony in this matter.
3. Attached as Exhibit A is a true and correct copy of my curriculum vitae.
4. Attached hereto as Exhibit B is a true and correct copy of the expert report that I prepared in this action, dated September 17, 2012 ("Report").
5. Attached hereto as Exhibit C is a true and correct copy of the rebuttal expert report that I prepared in this action, dated October 26, 2012 ("Rebuttal Report").

6. Attached hereto as Exhibit D are true and correct copies of certain pages from the transcript of my deposition, taken in this action on November 16, 2012, to which I refer in this Declaration.

7. While addressing my December 2005 retirement from Time Warner in the Motion, Apple claims that “in the rapidly evolving field at issue in this case, seven years is a lifetime.” I am surprised by this statement because as anyone familiar with trademark law and practice knows, major developments in intellectual property law, especially trademark law, move with glacial speed. The subjects discussed in my Report, specifically search and clearance procedures, trademark assignment protocol, application filing and prosecution, registration maintenance and renewal and the standards of practice before the PTO have changed little, if at all, since my retirement. As noted in my Report (at 1), since my retirement I have also continued to monitor developments in the trademark field. During my deposition, I testified that I was first retained as an expert in an earlier trademark lawsuit on behalf of Crayola and began consulting on behalf of Plaintiffs in this lawsuit in June 2011. (Scherer Dep. 115:4-118:4) Although I had retired from Time Warner, I did not stop working in the trademark field altogether.

8. Apple has questioned my qualifications as an expert witness in this matter because I have “not taught a trademark law class, published scholarly articles or delivered ‘any public speeches about trademark law.’” In reality, during my 22-year career at Time Warner, I regularly taught and lectured on trademark law and practice and authored the Time Inc. trademark manual. Just because these activities were targeted within the company, as is typical for in-house counsel, rather than to law students or bar association members, does not make me any less of an expert in trademark law. In either case, I developed the same expertise “on the job” over the 33 years of my career.

9. I am well aware that there is no legal duty to conduct a trademark clearance search prior to adopting a new or expanded trademark. In my Report (at 7), I wrote that “it is imperative that the trademark attorney conduct the necessary searches and, if appropriate, follow-up investigations to determine whether the proposed mark is available for the intended use.” In this context, I used the word “imperative” to stress the importance and prudence of performing an appropriate clearance search, not to indicate that such a search is legally required. It was my intention to convey the same meaning as Apple’s own trademark attorney, Glenn Gundersen, when he stated in his treatise that “A trademark search is the critical step in the process of selecting a new mark . . . “

10. I also stated in my Report (at 10) that once a search has been undertaken, there is “a duty to properly search and clear new marks or new uses of existing mark” This statement does not imply a legal duty to search, but rather once a search is undertaken, as in this case, there is a moral duty and responsibility to perform it in an appropriate manner so that the rights of others are not disregarded. While there is no legal duty to conduct a search, the absence of an appropriate comprehensive search may be evidence of bad faith. Apple’s statement in the Motion that I “insisted” that “Apple had a legal duty to conduct a comprehensive trademark search” is a misrepresentation of my Report.

11. I practiced trademark law exclusively for 33 years and have conducted and reviewed thousands of trademark searches. As I wrote in my Report (at 7-8), during that time and continuing today, there have been three basic steps in conducting an appropriate trademark search, specifically, (i) a preliminary/screening/knockout search, (ii) a comprehensive full search and (iii) any necessary follow-up investigations. These long established searching basics remain unchanged. While the use of computers in conducting both searches and investigations has

greatly expanded over the past twenty years, I routinely used the U.S. Patent and Trademark Office (“PTO”) databases, Thomson Compumark’s SAEGIS database and its online full search software as well as other proprietary trademark databases to conduct searches, throughout those years, prior to my retirement from active practice. I am very familiar with current searching techniques, to include performing common law searches of relevant databases using several different search engines.

12. Apple’s Motion again misrepresents my Report when it states that I have “no understanding of the customary trademark and clearance searches followed by law firms today.” During my deposition, I was asked if I was familiar with how Latham & Watkins and Kirkland & Ellis conduct full searches. My answer was, of course, “No” (Scherer Dep. 81:20-82:5), because, not being a member or employee of those firms, I could not possibly know how they conduct full searches. From this exchange, Defendant’s counsel incorrectly extrapolates that I have “no understanding” of how law firms conduct full searches today. This is a mischaracterization of my testimony.

13. In my Report (at 23-24) and my Rebuttal Report (at 3), I briefly discussed Family Systems’ U.S. Patent No. 6,411,993. Defendant’s counsel points out that I am not a patent expert (Scherer Dep. 162:18-20), but I would submit that my tying this patent to Family Systems’ IBOOK product does not require patent expertise, because the one-paragraph patent abstract quoted in its entirety in my Report (at 23) begins with the sentence, “An interactive Web book (‘ibook’) system is provided that allows material to be contributed to the World Wide Web” and then continues to refer to the “ibook” name eight more times. It is my view that the patent provides compelling evidence of the nature of Family Systems’ IBOOK software product.

14. In discussing the purported assignment of the IBOOK mark from Family Systems

to Apple in my Report (at 24-29), I referred to the fact that U.S. Patent No. 6,411,993 was not assigned to Apple. I pointed out that this omission “raises questions” (Report at 23) regarding the validity of the trademark assignment. I subsequently listed a variety of other tangible assets which could have been transferred to Apple to effect the assignment of the goodwill associated with the IBOOK mark, including trade secrets, customer lists, specialized equipment, physical inventory, work in progress, inventory, packaging, advertising and promotional material and sales records, among others (Report at 26). The patent was simply one of many assets which could have been assigned to Apple. At no time did I imply, much less state, as claimed by Defendant’s counsel, that “one needs to acquire the patent associated with a trademarked product” or that “the assignment of the patent was necessary to the assignment of the IBOOK mark.” During my deposition, I testified, “If Apple did not receive that patent in an assignment, Apple couldn’t use the mark on the same goods and services on which it had been used before . . .” (Scherer Dep. 188:18-21) I did not say that the patent was a required asset, only that Apple must have been using the mark on a different software product, one that did not incorporate the inventions set forth in the Family Systems patent.

15. Apple’s Motion claims that I made “numerous factual errors” in rendering my opinions, which I will address below:

- a) Neither in my Report (at 7-17) nor during my deposition testimony (Scherer Dep. 80:3-13) did I ever state that there is a legal duty to conduct a clearance search. Apple’s statement to the contrary is based upon a misrepresentation of my Report and deposition testimony.
- b) As I wrote in my Report (at 24-29), the assignment of the IBOOK mark failed to include the requisite goodwill associated with the trademark. During the

course of that discussion, I stated that Apple purchased the IBOOK mark on the same day as it received an e-mail from John Colby informing them of Plaintiff's rights in the ibooks mark. Report at 24. As I explained during my deposition (Scherer Dep.151:7-153:23), I focused on the single-page U.S. assignment document dated January 29, 2010, rather than the assignment agreement, which I understand is dated January 27, 2010. I am aware that Apple's negotiations to acquire the IBOOK mark from Family Systems actually began prior to its receipt of Mr. Colby's January 29, 2010 e-mail. I also believe that Apple did not actually pay the purchase price to Family Systems until after January 29, 2010. In any case, these dates do not alter the opinions expressed in my Report and Rebuttal Report.

c) In my Report (at 28), I wrote that Apple "appears to have made no attempt to purchase Family Systems' IBOOK mark in these other [Japan and the EU] jurisdictions." As I testified during my deposition (Scherer Dep. 151:7-153:23), I subsequently learned that two foreign registrations [Japan and Jamaica] for the IBOOK mark were assigned to Apple and that the EU registration had expired. Although these two foreign registrations do indicate that Apple wished to acquire Family Systems' IBOOK mark in other jurisdictions, this is a very common provision of such trademark assignments, and the two registrations are, in my opinion, of minor significance to the overall transaction. Thus, this correction does not materially change the opinions expressed in my Report and Rebuttal Report.

d) Defendant's counsel claims that my statements concerning Apple's filings

in connection with the iBooks '634 registration (Report at 29-32) are in error because I misinterpreted the specimens filed with Apple's combined declaration. As I thought I made abundantly clear in my Report (at 31) as well as my Rebuttal Report (at 2-6), my opinion was not based on the specimens. I focused on the statement under oath of Apple's representative that "the mark is in use in commerce on or in connection with all of the goods and services listed in the existing registration." I continue to believe, based on my analysis of the documents and based on my experience with the PTO that this statement is false, for the reasons set forth in my Report and Rebuttal Report.

e) Defendant's counsel challenges my opinion that Apple's purchase of Family Systems' IBOOK mark was an attempt to gain priority over Plaintiffs. Report at 24-25. I continue to believe that this was the primary motivation for acquiring the IBOOK mark. I understand that Family Systems offered to sell the IBOOK trademark to Apple in 2008, and Apple declined. I understand that Apple was already aware of Plaintiffs' predecessor's abandoned applications to register the ibooks and ibooksinc.com marks based upon a search conducted on January 12, 2010. Apple's claim in its Motion to Exclude (at 16) that it acquired the IBOOK mark for the "goodwill in the mark" does not seem credible to me, based on my experience, because Apple failed to acquire any of the indicia of goodwill and did not continue the Family Systems business.

16. Apple claims that my opinion that Plaintiffs' ibooks mark is suggestive (Report at 35-36) is "unreliable." In my Report (at 32-34), I outlined some of the various criteria used in my field to measure the distinctiveness of a trademark. As I testified during my deposition

(Scherer Dep. 273:20-276:14), I believe that the letter “i” in Plaintiff’s ibooks mark is a reference to the word “idea,” as demonstrated by its use in combination with a light bulb logo. I also pointed out (at 35) that the Trademark Examiner reviewing Plaintiff’s predecessor’s ibooks application in 1999 did not refuse registration on the grounds of descriptiveness.

17. Defendant’s counsel points out that, until after I prepared my Report, I was unaware of the Trademark Manual of Examining Procedure (“TMEP”) provision which states that “the prefix ‘I’ or ‘i’ would be understood by purchasers to signify Internet.” I note, however, that this language merely instructs the Trademark Examiner to refuse registration of such a mark in the first Office Action, a refusal which may subsequently be overcome by argument, as well as proof of secondary meaning. This TMEP provision is therefore not the final determiner of the descriptiveness of the mark.

18. In my Report (at 35), I set forth my opinion that Plaintiffs’ substantially exclusive and continuous use of the mark for more than five years along with extensive sales and advertising was evidence that its ibooks mark has acquired secondary meaning. Apple’s counsel argues that this statement is unsubstantiated because I referred to facts set forth in a 2002 response in Plaintiffs’ predecessor’s earlier application to register the ibooks mark. But Apple’s counsel ignores that my Report also states (at 35) that I relied on the deposition testimony of John Colby wherein he stated that total ibooks sales to distributors for the years 2003 – 2011 exceeded \$20,000,000. Based on my experience with the assessment of allegedly descriptive marks, I believe this is strong evidence of secondary meaning. Defendant then recites six factors to be considered in determining whether a mark has acquired secondary meaning and states that I “ignored nearly all of those factors” in my Report. I would draw Defendant’s attention to the fact that I discussed several of the listed factors in my Report (at 35).

19. In my Report (at 6-7), I included a brief discussion of relevant trademark principles to assist in the review of my Report, by explaining terminology and the background of my opinions. It was not my intention to replace the Court or the jury by including the section, only to make my Report more readable.

20. Apple has repeatedly questioned my ability to distinguish between Family Systems' IBOOK computer software product and Apple's iBooks e-reader product as discussed in my Report (at 17-22) because I am neither a computer expert nor a computer software expert. They have correctly pointed out that I am not familiar with the inner workings of computers or computer software, and it is true that I said that their function was "magic" to me (which at the time I thought was an obvious attempt at humor).

21. My expertise is in trademark areas, not computers. In my analysis of the Family Systems-Apple assignment, the key point is the difference that would be perceived by consumers between the Family Systems and Apple products. I submit that a consumer does not need to understand the technical basis for how these products operate in order to know that they are very different in nature. A consumer can clearly distinguish between (a) a car and a motorcycle even though both are modes of transportation with engines, (b) airplanes and helicopters even though both fly and have motors, or (c) a refrigerator and a dishwasher even though both are used in the kitchen and have motors, without knowing how they operate. Similarly, a consumer need not know how Family Systems' and Apple's respective products work in order to recognize that they are very different products. A consumer knows that Amazon's Kindle e-book reading application or Barnes & Noble's e-book reading application serve the same purpose as Apple's iBooks e-reading application when installed on a mobile device. However, it is my opinion that consumers would not consider Family Systems' IBOOK software, based on the available

evidence, to have the same use or purpose as Apple's iBooks application. It is my opinion that the Family Systems software was marketed for a very different use and serves a very different purpose, as set forth in detail in my Report.

22. In my Rebuttal Report (at 1), I wrote that the validity of the assignment of the IBOOK mark from Family Systems to Apple "will be decided by the Court." This was not an attempt to label this issue as a "question of law" specifically. It was simply intended as a statement that the parties to the assignment would not be making the ultimate determination as to its validity. In my view, this case involves a number of mixed questions of fact and law, and it was never my intention to usurp the Court's authority in such matters, but rather to assist the Court and jury in understanding some of the issues involved in this litigation.

23. In its Motion, Defendant seeks to exclude any testimony regarding Apple's prior trademark conflicts claiming that this information is irrelevant and prejudicial. In my Report (at 43-44), I referred to four trademark infringement claims made against Apple between 2007 – 2011 (not including the subject IBOOKS litigation) as well as several media reports noting that this is a recurring problem for Apple. Based on my experience working at large companies like PepsiCo and Time Inc., this volume of trademark infringement claims within the indicated time period seems unusually and egregiously high. Accordingly, I formed the opinion that these problems show an ongoing and willful disregard for the trademark rights of others and is evidence of Apple's continuing bad faith in adopting new trademarks.

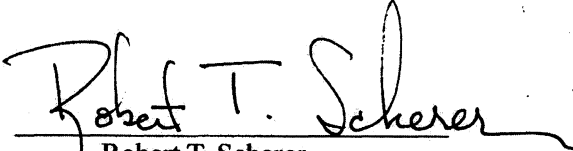
24. Apple's counsel moves to exclude my opinions regarding Apple's bad faith because they were not previously disclosed in my reports. This argument ignores the fact that both my Report and my Rebuttal Report recited examples of bad faith. Specifically, in my Report (at 8,10,12,15-17), I noted that (i) Apple failed to conduct an appropriate clearance search

and investigation prior to adopting the iBooks mark and thus disregarded the trademark rights of others, (ii) the evidence indicates that Apple intentionally filed false statements with the PTO in renewing the '634 registration (Report at 31), (iii) Apple engaged in an assignment transaction with Family Systems without actually intending to continue Family Systems' use of the IBOOK mark, and (iv) over a five-year period, Apple was subject to repeated third-party claims of trademark infringement (Report at 43-44). In sum, I believe the issue of bad faith was raised in both of my reports.

25. In my Report, I referred to the International Classification system which was adopted by the PTO in 1973, and included the personal aside that the primary purpose of the classification system was to generate additional filing fees. (my Rep. 9 n.2) My comment was intended as humor and has no bearing whatsoever on the merits of the subject case, which is why it was included only as a footnote.

I declare, under penalty of perjury, that the foregoing is true and correct.

Dated: Sunset, South Carolina
January 25, 2013


Robert T. Scherer