

**EXHIBIT B**

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

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

Plaintiffs,

-against-

APPLE, INC.,

Defendants.

Case No. 11-cv-4060 (DLC)

Expert Report of Robert T. Scherer

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**1. RETENTION.**

I was retained by attorneys for plaintiffs in the above-referenced litigation to: (i) discuss the necessity and importance of conducting appropriate trademark clearance searches before adopting a new trademark or expanding the use of an existing trademark; (ii) review the validity of Family Systems' assignment of its IBOOK mark to Apple and discuss the nature and requirement of goodwill; (iii) compare the nature of Family Systems' use of its IBOOK mark with Apple's post-acquisition use of the IBOOKS mark (as amended); (iv) review the statements made in Apple's Declaration of Use filed in Reg. No. 2,446,634; (v) review and explain the several applications and registrations filed in the U.S. Patent and Trademark Office ("PTO") by plaintiffs and defendant including Reg No. 2,470,147; Reg. No. 2,446,634; Reg. No. 2,718,222; App. No. 85/008,412; App. No. 85/008,432; App. No. 75/786,490; and App. No. 75/786,491; (vi) discuss whether iBooks<sup>1</sup> is a distinctive/descriptive mark; and (vii) review the validity of the assignment of the iBooks mark out of bankruptcy to plaintiffs.

**2. QUALIFICATIONS, PRIOR TESTIMONY AND RATE.**

I am a member of the New York State Bar Association and the District of Columbia Bar Association and have been practicing in the area of trademark law since 1972. I retired from active practice in December, 2005, but have continued to stay abreast of developments in the trademark field. I have not previously testified as a trademark expert witness.

Upon graduation from Wayne State University Law School in 1972, I was employed by the U.S. Patent and Trademark Office ("PTO") as a Trademark Examiner. While in that position, I regularly (i) reviewed trademark applications for compliance with the mandatory

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<sup>1</sup> In order to aid in distinguishing between the parties respective marks, whenever possible, I have chosen to display plaintiffs' marks with an initial lower-case letter, followed by a single upper-case letter, *i.e.*, iBooks or iBooks, Inc. and Family Systems' and Apple's marks in all upper-case letters, *i.e.*, IBOOKS or IBOOK.

filing requirements; (ii) conducted searches of the Trademark Register and of pending applications; (iii) reviewed marks for descriptiveness; (iv) prepared PTO Office Actions and reviewed responses thereto; (v) prepared several briefs to the Trademark Trial and Appeal Board (“TTAB”) in support of final refusals; and (vi) on a rotating schedule, served with the Post-Registration Branch reviewing registrations for Sections 8 and 15 compliance and Section 9 renewal and as an interlocutory examiner with the TTAB. During my two years and three months with the PTO, I reviewed approximately 2,000 applications.

In August, 1974, I went to work for the intellectual property law firm of Pennie & Edmonds. As an Associate with the firm, I regularly (i) advised clients on basic trademark law and PTO procedures; (ii) conducted trademark clearance searches for conflicting registered, pending and common law marks; (iii) prepared and filed U.S. trademark and service mark applications; (iv) prepared and filed responses to PTO Office Actions; (v) prepared and filed Post-Registration documents including Section 8 and 15 Declarations of Use and Incontestability and Section 9 Renewals; and (vi) prepared and filed assignment and change of name documents. I also participated in several *inter partes* opposition and cancellation proceedings in the PTO and trademark infringement litigation in the federal courts. During almost five years with the firm, I was responsible for filing and prosecuting approximately 500 U.S. trademark/service mark applications.

In 1979, I went to work for PepsiCo, Inc. as a Trademark Attorney. In that position, I advised various subsidiary companies, i.e., Frito-Lay, Pizza Hut and Wilson Sporting Goods, among others, on all trademark related matters, including, but not limited to (i) the selection, searching and clearance of U.S. and foreign trademarks; (ii) the filing and prosecution of U.S. and foreign trademark applications; (iii) the renewal of U.S. and foreign trademark registrations;

(iv) the filing of U.S. and foreign oppositions and cancellation actions; (v) trademark licensing and (vi) the review of advertising and promotional materials for proper trademark use. While at PepsiCo, I filed and prosecuted approximately 100 U.S. trademark applications and was responsible for the maintenance and renewal of approximately 10,000 U.S. and foreign registrations.

In 1983, I moved to Time Inc. as a Trademark Attorney and assumed responsibility for its entire portfolio of U.S. and foreign trademarks. In that position, I oversaw the selection, clearance, filing of applications, prosecution of applications, maintenance and protection of more than 20,000 U.S. and foreign trademark registrations, including such well-known marks as TIME, SPORTS ILLUSTRATED, FORTUNE and PEOPLE Weekly for magazines; HBO and CINEMAX for television programming services; TIME-LIFE, WARNER BOOKS and LITTLE, BROWN for book publishing and the TIME WARNER corporate mark and logo. I also supervised the assignment of several large trademark portfolios during my 22 years with the various Time Warner (a successor company) companies. I was responsible for the daily monitoring of trademarks for infringement and for taking appropriate action when found. I oversaw the licensing of the company's trademarks and the registration and protection of Internet domain names. Through various promotions during my career, when I retired in December, 2005, I was Assistant General Counsel of Time Warner Inc. and had filed approximately 900 U.S. trademark applications on behalf of the company and its subsidiaries.

During my thirty-three years of trademark practice, as a Trademark Examiner in the PTO, as a law firm associate, and as a corporate trademark attorney, I have conducted and reviewed thousands of trademark searches and cleared such now well-known marks as InStyle, ENTERTAINMENT WEEKLY and REAL SIMPLE for use on magazines, as well as the TIME

WARNER mark and corporate name. I have also conducted numerous searches and investigations in connection with the expansion of such existing brands as PEOPLE Weekly, HBO and CINEMAX. I have examined, filed and/or prosecuted more than 3500 applications and been responsible for the maintenance of thousands of registrations in the United States Patent and Trademark Office. In all these positions, I regularly advised clients and participated in such trademark related matters as trademark searching and clearance, trademark application filings and prosecution, trademark maintenance and renewal, trademark assignments and trademark licensing.

My compensation as an expert witness in the above-referenced matter is \$500 per hour.

A copy of my current curriculum vitae is attached hereto as Exhibit A.

**3. REVIEW AND INVESTIGATIONS.**

In connection with the preparation of this report, I was provided with and reviewed the following documents and materials:

Court Documents

Complaint and Jury Demand

Answer and Affirmative Defenses of Defendant

Materials Provided by Plaintiffs' Counsel

Archived Materials from Family Systems' "iBook" Website

Archived Materials from urls located via Family Systems' "iBook" Website

Family Systems' "iBook" Instructions and General Information

TESS Search Results for "iBook" Applications/Registrations

Listings from Publishing Industry, Book Seller and Comic Book Websites (1999-2010)

Current Listings from Publishing Industry and Book Seller Websites (Sept./Oct. 2011)

Wikipedia Entry for Byron Preiss



Google Search Results for “iBooks” with “Publisher(s)/Publishing” (2009)  
Advanced Search Results for “iBooks” with “Publishers or Publishing” (2009)  
Deposition Transcript of Richard S. Goldhor, Ph.D., January 31, 2012  
Deposition Transcript of John T. Colby, July 18, 2012  
An Article titled “Trademark Searching” by Glenn Gundersen, 1994  
Several Saegis Reports of Apple Trademark Searches  
Memo Titled APPLE IBOOK AND IBOOKSTORE with Search Strategies  
An Invoice for \_\_\_\_\_ for the IBOOK Settlement Payment, dated January 29, 2010  
NY Certificate of Assumed Name iBooks, dated December 12, 2006  
iBooks ITD September 2005 C/B Worksheet  
J. Boyleston & Company, Publishers Consolidated Income Statement 1999 – 2011

United States Patent and Trademark Office Documents

File Wrapper for Reg. No. 2,446,634 IBOOKS (as amended)  
File Wrapper for Reg. No. 2,470,147 IBOOK  
File Wrapper for Reg. No. 2,718,222 ipicturebooks.com  
File Wrapper for App. No. 85/008,412 IBOOKS  
File Wrapper for App. No. 85/008,432 IBOOKSTORE  
File Wrapper for App. No. 75/786,490 iBooksinc.com  
File Wrapper for App. No. 75/786,491 iBooks  
File Wrapper for Patent No. 6,411,993

I also used and reviewed the following PTO databases:

Trademark Electronic Search System (TESS)  
Trademark Applications and Registrations Retrieval (TARR)  
Trademark Manual of Examining Procedure (TMEP)  
Trademark Document Retrieval (TDR)

Trademark Assignment Services

Trademark Rules of Practice

U.S. Trademark Law, 15 U.S.C. Section 1051 et seq. (Lanham Act) In addition to these documents and materials, I reviewed relevant sections of McCarthy on Trademarks and Unfair Competition, 4th edition, J. Thomas McCarthy (2005) and performed advanced searches of the Google and Amazon.com databases.

**4. TRADEMARK PRINCIPLES:**

***Trademark Rights are Based on Use, Not Registration.***

A trademark is defined as any word, name, symbol or device, or any combination thereof, used to identify and distinguish one's goods from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown. *See* Lanham Act, 15 U.S.C. Section 1127. (The Lanham Act is the federal statute governing trademarks in the U.S.) Trademarks are sometimes referred to as brand names. In the United States, trademark rights are created when the mark is actually used in commerce on or in connection with goods in the ordinary course of trade. Such marks are referred to as common law trademarks. The owner of a common law mark may elect to register it in the PTO, but registration is not required in order to own the mark or to claim a priority of use. While there are some procedural and evidentiary advantages to owning a federal trademark registration, a common law or unregistered mark is entitled to the same substantive rights and protection as a registered mark.

There are two primary bases on which to file an application to register a trademark in the PTO. First, the application may be based upon actual use of the mark in interstate commerce. This is referred to as a use-based application filed under Section 1(a) of the Lanham Act. Second, the application may be based upon a bona fide intent to use the mark in interstate commerce. This is referred to as an intent to use or ITU application and is filed pursuant to

Section 1(b) of the Lanham Act. Even though the ITU application is filed before actual use of the mark begins, the registration will not be granted until the mark has been used in interstate commerce and evidenced to the PTO. While there are other bases for filing trademark applications, they are not relevant to this litigation.

**5. TRADEMARK CLEARANCE RESPONSIBILITY AND PROCEDURES:**

***Apple Failed to Conduct an Appropriate Trademark Clearance Search.***

When selecting a new trademark or materially expanding the use of an existing mark, 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. The question to be answered: “Is the use of the mark likely to cause confusion with an existing third party mark?” There are at least three basic steps in the searching process.

First, the trademark attorney, either in-house or outside counsel, will customarily conduct a screening or “knock- out” search in one or more available databases, including the PTO’s Trademark Electronic Search System (TESS) or another commercially available database such as Thomson Compumark’s SAEGIS service. By definition, these preliminary or screening searches are limited to PTO and state trademark records, but they do not include any common law or domain name records. A copy of a Thomson Compumark online promotional piece describing the SAEGIS service as a “screening” or “knock-out” search is attached as Exhibit B. Because of these limitations, the clearance process cannot stop here. If the screening search is “clear”, in that it did not disclose any confusingly similar third party marks, the second step is to order a more comprehensive “full” search through one of several commercial vendors. Such searches can be performed on a 4 hour turnaround, if necessary, or more commonly on a 2 - 3 day turnaround. The largest commercial trademark search firm is Thomson Compumark, and I have attached a representative example of one of their full search reports as Exhibit C. In addition to

the PTO and state trademark databases discussed above, a full search includes (i) appropriate common law databases; (ii) web databases such as Google and Yahoo; and (iii) domain name databases. Also, because the test for trademark infringement is not limited to identical marks, but includes “confusingly similar” marks, a full search is more comprehensive in that it includes similar marks, variant spellings and phonetic equivalents.

If either the preliminary screening search or the more comprehensive full search disclose a potentially conflicting mark, the third step is for the trademark attorney to undertake a further investigation to determine the nature and extent of use of that mark. The investigation can take several forms. If the mark is the subject of a federal registration (active/cancelled/expired) or an application (active/abandoned), one can order the PTO file history of that mark to try to better determine if and how the mark is being used. It is also possible to conduct an appropriate online search to see if there are any references to the mark on the Internet. Another option is to hire a professional trademark investigator to look into any use of the mark. Only after these searches and any necessary investigations have been completed and there appear to be no confusingly similar marks in use or, if a confusingly similar mark has been found, any likelihood of confusion has been resolved via acquisition, license or consent, should use of the proposed mark begin.

With the foregoing principles in mind, I reviewed Apple’s clearance of the IBOOKS mark and found that while it conducted the preliminary screening search of Thomson Compumark’s Saegis database and several narrow searches *limited* to the Google search engine (step 1), it completely ignored the comprehensive full search (step 2) and any follow-up investigation (step 3). In my opinion, Apple’s failure to conduct an appropriate search/investigation was irresponsible and a serious departure from standard trademark searching

practice, I find it surprising that a large and sophisticated company, like Apple, did not follow-up with a more comprehensive search.

I should mention here that Apple owns a federal registration for the IBOOK mark for “computer hardware” (Reg. No. 2,470,147) and claims to own a second federal registration for the mark IBOOKS (as amended) for “computer software used to support and create interactive user-modifiable electronic books” (Reg. No. 2,446,634). Apple asserts that its use of the IBOOKS mark in connection with downloadable books and the electronic transmission of streamed and downloadable books is simply an expansion of these two earlier registrations so that further searches and/or investigations are unnecessary. In order to see just how far Apple intended to “expand” its use of the IBOOK/IBOOKS mark, I reviewed the list of goods/services recited in Apple’s most recent ITU applications to register the IBOOKS mark (App. No. 85/008,412) and the IBOOKSTORE mark (App. No. 85/008,432), both of which were filed on April 7, 2010. As filed, both applications contained a lengthy list of goods and services in six Classes.<sup>2</sup> In addition to “computers” in Class 9, which may qualify as an expansion of the earlier IBOOK registration, the applications go on to state that Apple has a bona fide intention to use the IBOOKS and IBOOKSTORE marks in connection with “printed matter...” in Class 16; “advertising and marketing services... in Class 35; “telecommunications services...” in Class 38; “educational and entertainment services...” in Class 41; and “design and development of computer hardware and software...” in Class 42. In Class 16, for example, Apple included the items “printed publications; periodicals; books; magazines; newsletters...; Class 35 included the items “sales promotion services; promoting the goods and services of others; conducting market

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<sup>2</sup> As we will see in subsequent sections, the PTO has created arbitrary classes of goods and services numbered from 1 – 45. The primary purpose of this classification system is to allow the PTO to charge separate filing fees per class.

research...” and Class 41 included “podcasts in the fields of entertainment, news, current events and activities, hobbies...”. (The actual list of goods/services goes on for almost two full single-spaced pages.)

Are we to believe that this long list of new 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”? That’s what Apple told the Trademark Examiner in its response to a PTO Office Action. However, it is obvious that this is far more than a mere expansion of the earlier IBOOK/IBOOKS registrations as it encompasses numerous entirely new uses of the mark which require an entirely new comprehensive search and clearance. (It appears that Apple subsequently amended the above-referenced IBOOKS application by deleting Classes 16, 38 and 41, but kept all six Classes in the IBOOKSTORE application. Even with this amendment, the three remaining Classes in the IBOOKS application represent far more than an expansion of the earlier marks and Apple had gone on record as intending to use the IBOOKS mark in connection with all of the goods/services originally listed in the applications.) Also, the fact that Apple found it necessary to conduct even a preliminary screening search of the IBOOKS mark is an indication that this expanded use far exceeds the coverage of the earlier registration. Apple has a duty to properly search and clear new marks or new uses of existing marks; being a very large and successful company does not excuse Apple from responsibility and respect for the trademark rights of others.

I have reviewed copies of several SAEGIS searches which appear to have been conducted by Apple’s outside counsel and found that one of those searches disclosed the marks iBooks (App. No. 75/786,491) covering “books, namely, a series of fiction books; non-fiction books in the field of science” and iBooksinc.com (App. No. 75/786,490) for “computerized on-

line ordering services in the field of printed publications” and “providing a website on global computer networks featuring information on the field of printed publications”, both filed by the plaintiffs’ predecessor-in-title, iBooks, Inc. *see* Exhibit D. Based upon this search, Apple was clearly aware of plaintiffs’ iBooks and iBooksinc.com marks and even though the applications were abandoned in 2003 for failure to respond to a PTO action and tagged as “DEAD”, they remained as a possible bar to Apple’s use of the IBOOKS mark and required further investigation. Since, as noted in Section 4, trademark rights are based on use, not registration. I then conducted my own search of the PTO’s TESS database which again disclosed the iBooks and iBooksinc.com applications.

Another search document produced by Apple under the heading “APPLE IBOOK and IBOOKSTORE” referred to the “PRELIMINARY SEARCH STRATEGIES” and listed the strategies used in running several different searches. *See* Exhibit E. Based upon the above references, this document appears to relate only to a preliminary search of the IBOOK and IBOOKSTORE marks and I have seen no other documents indicating that any comprehensive full searches were commissioned.

I also reviewed several documents showing the results of a Google search of such terms as “ibook”, “ibookstore”, “ebook”, “ebookstore”, “eyebook”, “eyebookstore”, “mybook” and “mybookstore” in various forms. Sometimes these terms were combined with a list of goods, including “computer”, “software”, “electronic”, “online”, “device” or “reader”. They were often further broken down into Apple and non-Apple references. It is my understanding that these searches may have been conducted by Apple’s outside counsel. All of these searches were made using the Google search engine and no effort was made to search publishing or book related websites such as Amazon.com. While none of these searches disclosed any references to

plaintiffs' iBooks mark, this was not unexpected, because in reviewing the search strategies, it looks as if Apple or its outside attorneys made a concerted effort to avoid any terms which were likely to uncover the plaintiffs' iBooks mark or name. Apple was aware of plaintiffs' presence in the publishing industry based upon a SAEGIS search, see Exhibit D; yet it never conducted a search of the iBooks, Inc. name. If Apple had searched "ibooks" combined with plaintiffs' company name, iBooks, Inc., as I recently did, it would have found numerous articles referring to plaintiffs' ongoing iBooks business. In my search, the first 35 "hits" referred to iBooks and/or iBooks, Inc. Apple could have, and should have, performed the same search. I was left with the impression that Apple specifically designed the search to *avoid* finding references to plaintiffs' business. In addition to this failure to search the appropriate terms/names, Apple also deliberately combined several search terms with the word Apple, which would, of course, eliminate finding any references to plaintiffs' mark/name. Although reference was made to a "TRADEMARK.COM DOMAIN NAME SEARCH in Exhibit E, I have seen no report showing that such a search was ever made.

The appropriate next step was to order the PTO file history to see why the application was abandoned and whether the mark has been used. In reviewing the PTO file, I learned that (i) iBooks, Inc. has been using the iBooks mark since 1999, and was planning to file an amendment to allege use shortly; and (ii) iBooks, Inc. had iBooks sales in excess of \$5,000,000 and spent over \$250,000 in advertising and promoting the iBooks mark in the first three years of business. This important information was readily available to anyone who took the time and effort to order the PTO file. Even though the application had been abandoned, the iBooks mark was being used and remained a viable and valuable trademark belonging to plaintiffs. The disclosure of iBooks,



Inc.'s iBooks mark in the limited screening search was a "red flag", which required further investigation.

In order to see what an investigation would have found, I again entered "ibooks" with "iBooks, Inc." in Google and found several references to Byron Preiss' and/or iBooks, Inc.'s iBooks mark. Having found that the iBooks mark and the iBooks, Inc. company name are still being reported in online databases, the next step in my investigation was to search several databases devoted to the publishing industry, such as Amazon.com, Bowker's Books in Print and Publishers Weekly, to determine the nature and extent of that use. A search of Amazon.com disclosed more than 600 books published by plaintiffs' predecessor before May 23, 2006 under the iBooks mark, with many of the books offered in a digital format. A search of WorldCat, a database which allows access to the collections of over 10,000 libraries worldwide, for each of the years 1999 - 2009, disclosed hundreds of books published by iBooks, Inc. and using the iBooks mark. A search of My Comic Shop, the world's largest online selection of comic books, for the years 2000 - 2006, disclosed a long list of iBooks' published comic books. Similarly, a search of iBooks at comics.org, which is dedicated to building a database covering all printed comics throughout the world, for the years 2003 - 2005, again revealed numerous comic books using the iBooks mark.

A search of Publishers Weekly ("PW"), which refers to itself as "The International News Magazine of Book Publishing and Bookselling" for each of the years 1999 - 2009, found repeated references to both iBooks and iBooks, Inc. beginning as early as May 24, 1999, with the following reference:

"Byron Preiss Visual Publications will launch a new imprint in September [1999] that will focus on books with content appropriate for marketing on the Internet. The imprint, ibooks, will be done in cooperation with Pocket Books, which will serve as ibooks' distributor."

The June 7, 1999, issue of PW included the following:

“...longtime multimedia publisher Byron Preiss discussed his new project, iBooks, which will combine classics of science, science fiction, history and mystery, in trade paper, with free browsable chapters available online.”

A PW article on March 3, 2003, stated that:

“The fastest growing publisher on this year’s list is ibooks, the newest publishing venture launched by Byron Preiss in 1999. The company publishes in a mix of segments and formats, including e-books.”

After Byron Preiss’ tragic death in July, 2005, and the sale of the company’s assets in bankruptcy to plaintiffs’ on December 13, 2006, PW continued to refer to the iBooks mark and the iBooks, Inc. name in various articles.

A Google search of “ibooks” combined with the words “publisher/publishers/publishing” for each of the months April – December, 2009, which closely preceded Apple’s launch of its new IBOOKS product, disclosed numerous references to plaintiffs’ iBooks mark. And, finally, a search on Wikipedia of the name “Byron Preiss”, the founder of the Ibooks imprint and one of the pioneers of electronic publishing, included several references to the iBooks mark and listed several books published by iBooks, Inc.

I then reviewed the results of more recent online searches conducted in September - October, 2011 of “iBooks” and “iBooks, Inc.” The updated search of Amazon.com identified 742 books referring to either iBooks or iBooks, Inc. and included references to the series names “ibooks Fantasy Classics” and “Ibooks Science Fiction Classics”. I followed-up with my own search of Amazon.com and found such additional series names as “Ibook Fan Books”, “Instructor Ibook”, “Law and Order (Ibooks)”, “Military History (Ibooks)”, “Rabbi Small Mysteries (Ibooks)”, “Student Ibook”, “Transformers (Ibooks)” and “X-Men (Ibooks)”. I also examined the results of an “iBooks” search at barnesandnoble.com which disclosed over 750 iBooks references. Similar searches of Books by ISBN (an ISBN or International Standard Book

Number is assigned to each edition and variation of a book) and Bowker's Books in Print (R.R. Bowker, LLC provides information support for the publishing industry in the United States. Bowker is the official U.S. ISBN Agency, the publisher of Books In Print and other compilations about books and periodical titles.) yielded hundreds of current uses of plaintiffs' iBooks mark. Similar databases are included in the common law portion of a comprehensive full search and would have disclosed many of these same references to plaintiffs' use of the iBooks mark had Apple taken that next all important step to clear the mark.

The pleadings in this case also refer to plaintiffs' ipicturebooks and ipicturebooks.com marks, the latter of which was the subject of a cancelled registration for "books in print in the field of fiction and non-fiction for children" and "computer services, namely, online books in the field of fiction and non-fiction for children", owned by iBooks, Inc. I conducted an online search of three databases to determine the nature and extent of use of these marks. At a website called JacketFlap, which lists the work of 200,000+ authors, illustrators, publishers and other creators of books for children and young adults, I found more than 350 ebooks published by ipicturebooks. A similar search at Amazon.com disclosed more than 90 current books published by ipicturebooks and a search of the Diesel eBook Store listed over 190 ipicturebooks books for sale.

Based upon these several common law searches and investigations, it is evident that plaintiffs' iBooks and ipicturebooks marks are actively used and regularly referenced in a wide variety of databases dedicated to the publishing industry. An appropriate common law search/ investigation would have quickly disclosed plaintiffs' iBooks and ipicturebooks marks. To have either failed to perform these investigations or to have ignored the results of an investigation is highly irresponsible.

I also reviewed a treatise entitled “Trademark Searching”, first published in 1994, written by Glenn Gundersen, a copy of which is attached as Exhibit F. I understand that Mr. Gundersen and his firm have on several occasions, including in the early stages of this iBooks/IBOOKS conflict, provided trademark legal services to Apple. The overriding message of this treatise is that “A trademark search is the critical legal step in the process of selecting a new mark.” In discussing the mechanics of the search process, Mr. Gundersen states at page 3:3 that:

“A newcomer to the search process might expect that it would suffice to check the records of the U.S. Patent and Trademark Office. However, one cannot rely solely on such a search because registration with the Trademark Office is not a prerequisite to obtaining trademark rights in the U.S. Many valid trademarks exist at common law without ever appearing on the federal trademark register. Some appear in state registrations (although these registrations do not always reflect actual use); others are not registered at all. Thus, the search must encompass marks beyond those shown in federal applications and registrations.”

Later in the same treatise, Mr. Gundersen states at page 3:11 that:

“The preliminary search uses a limited number of resources and queries the searcher deems most likely to yield relevant marks with minimum effort. It serves to eliminate marks that are clearly unavailable; it does not attempt to reach a definitive answer on the availability of those marks that survive. Thus, while a preliminary search can yield a clear “no” to a proposed mark, it cannot yield a clear “yes”. Only the potential for a “yes” can be reached at this point.”

And, finally, Mr. Gundersen states at page 3:29 that:

“When counsel finds a potentially conflicting mark, it is usually necessary to investigate further to determine if the mark has been abandoned, to better understand the nature of the goods or services sold under the mark and the marketing channels used, to ascertain the status of any pending applications and registrations...”

Despite the fact that Apple’s attorneys are accomplished trademark professionals with years of experience, they appear to have departed from the recommended protocol of their own outside counsel and proceeded to use the IBOOKS mark in connection with downloadable books based solely upon a preliminary or screening search. They failed to order a more comprehensive full search or to undertake an appropriate investigation into the use of plaintiffs’ iBooks mark, even

though they knew of its existence based upon their preliminary SAEGIS search and John Colby's January 29, 2010 e-mail. This failure to follow the customary steps in clearing the IBOOKS mark was a glaring omission and evidences a total disregard for the trademark rights of others.

**6. REGISTRATION NO. 2,446,634, TRADEMARK IBOOK:**

***The Nature and Use of Family Systems' IBOOK Product is Significantly Different Than Apple's IBOOKS Product.***

(a) On October 8, 1996, a U.K. company called Family Systems Limited filed an ITU application in the PTO (App. No. 75/182,820) to register the trademark IBOOK for "computer hardware and software used to support and create interactive, user-modifiable electronic books". Upon reviewing the application, the Trademark Examiner determined that the application was in order and a search of the Trademark Register and pending applications did not disclose any conflicting marks. The Trademark Examiner subsequently approved the IBOOK mark for publication in the Official Gazette ("OG"). (Publication of a mark in the OG allows any person who believes that they will be damaged by the registration of a mark an opportunity to oppose or object to the registration of that mark.) In this case, no opposition was filed and a Notice of Allowance was sent to Family Systems giving them six months to file a Statement of Use along with evidence that the mark is being used on the recited goods. At the end of the six months, Family Systems filed a First Request for Extension of Time to File a Statement of Use. The extension was granted and the Applicant obtained an additional six months to file a Statement of Use. (Trademark Rules allow for the filing of up to five requests for extensions of time and, since Family Systems had not yet begun to use the IBOOK mark, they eventually filed the maximum number of extensions stating in the second, third, fourth and fifth requests that "Applicant is still actively engaged in research and development in connection with the products

with which the mark will be used.”) The PTO accepted the statement of Family Systems’ ongoing efforts to use the mark and granted all five requests.

On November 6, 2000, Applicant was finally able to file the required Statement of Use claiming that the mark was first used on “computer hardware and software used to support and create interactive, user-modifiable electronic books” on October 27, 2000. The specimens showing how the mark is used consisted of (i) what appears to be a screenshot from a website maintained by hinmanconsulting which states:

“Welcome to TeamGirl

A Community Dedicated to Girl’s Sports and  
related Activities

If you would like to to [sic] contribute to this site and/or create a personal Ibook on this site related to Girl’s Sports, follow the links above to download and install the Family Systems Ibook Controller and to enroll in this site. Click on Identity Ibooks above to see a list of currently available Ibooks on this site.

Powered By Ibook Technology From family systems (Logo)

Send Comments to:webmaster@hinmanconsulting.com”

(ii) what appears to be another screenshot from a videoboy.com website which states:

“Welcome to VideoBoy

The purpose of this site is to provide a collaborative and self-extensible Ibook...  
games. This site currently targets the Linux gaming community to assist such...  
their Linux system to play Linux video games such as Quake3...  
[The text on the right margin was cut-off in the file.]

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If you would like to become a contributor:

- 1) Download the Ibook Controller Setup Program
- 2) Become a Contributor (requires Ibook Controller)
- 3) View List of Current Contributors
- 4) View List of Current Identity Ibooks on this Site”

and (iii) what appears to be a label from an Ibook controller. These specimens were filed in the PTO because they show the actual use of the mark, the nature of the use and the manner in which the IBOOK mark is displayed. It is immediately apparent that the “electronic books” referred to in the registration are created by the user and devoted to specific “communities” of users. The IBOOK product itself does not contain a book or any other published work. It merely provides a framework on which to create one’s own content. It is the electronic equivalent of buying a blank piece of paper and then having to write your own story. Upon acceptance of the Statement of Use, the PTO granted registration to the IBOOK mark on April 24, 2001, as Reg. No. 2,446,634.

In order to maintain this registration, Family Systems filed a Combined Declaration of Use and Incontestability Under Sections 8 & 15 on April 27, 2007. Family Systems stated therein that they were still using the IBOOK mark in connection with “all goods or services listed in the existing registration...”, except for the item “hardware” which they deleted from the registration. This was presumably done to comply with the Consent Agreement with Apple (See Section 13). As evidence of their then current use of the IBOOK mark in connection with computer software, Family Systems attached a screenshot referring to “topic-rooms” which tells

the user to “Add your content here.” With the deletion of “hardware”, the PTO accepted the combined Declaration of Use and Incontestability. This was the status of Family Systems’ IBOOK registration when it was transferred to Apple (See Section 8).

(b) In order to better understand what Family Systems’ IBOOK software product is and how it works, I reviewed materials from Family Systems’ IBOOK website for the period 1998 - 2010. These materials consist of page after page of references to “The IBook Help Site”, “The Family Systems Ibook Ibook”, “Family Systems Public Ibook”, a repetitive advertisement for “Products Now Available” and “The Family Systems ibook Home Page” which lists “The ibook Family of Products” including:

“The ibook Controller	For creating and managing interactive books on webs. Ibooks enable and encourage collaboration.
The ibook Server	Software for hosting your own ibooks. Family Systems also provides web hosting services.
Fax Processor	Web publishing for documents received by fax
My Sharer	My Sharer automatically publishes files to the Internet.
Audio Recorder	Record, index and access your conferences and personal phone calls.
Progress List	Create and manage task lists”

Another promotional piece called “Welcome to try.ibooks.com” stated that “This site is for users of the Family Systems ibook system. On this site, you can create *your own ibook, and manage the content of that ibook* using the ibook controller and other Family Systems products. It operates under a set of site rules.” (emphasis added). One of the few IBOOK sites having any content is called “Vikram’s Travels”, which appears to consist entirely of content created by a person named Vikram Singh describing his journey to Sri Lanka and India gathering family stories. Mr. Singh went so far as to copyright the content on these Web pages in his own name.



I also reviewed archived material from the <http://try.ibook.com> website. Family Systems' created this website to give people an opportunity to get a free trial iBook Web space:

"Enroll for a trial subscription and we'll provide you with Web space on our trial site, [try.ibook.com](http://try.ibook.com). Once enrolled, you can use our iBook form to create weblogs and begin publishing to the Web right away. With our Web Page Controller, *you can use any HTML editor to immediately create and modify your iBook's pages*, and to import voice recordings made with our Personal Audio Recorder. From [try.ibook.com](http://try.ibook.com), you can also download our experimental and prerelease products and use them to construct comprehensive systems to share Web pages, chat and voice content alongside traditional PC media."  
(emphasis added).

The materials from the "Try IBOOK" website consist of several hundred "Identity Ibook" sites with personal names or monikers and little, if any, additional content. These web pages were created pursuant to Family Systems' offer to provide free webspace on a trial basis. Examples of weblogs with actual content include:

"UPA Voting Ibook:  
IEEE P1583 Voting System Standards

which was created for "members of the UPA Voting and Usability Project. It contains notes and files on the IEEE P1583 Voting System Standards sections on usability and accessibility and work with Task Group 3 (TG3). This iBook page was contributed by "upavoting".

"US Constitution Identity Ibook"

with a further contribution titled "Life, Liberty & the Pursuit of Happiness" contributed by "national".

"david ottershaw [iBook identity]" contributed by "yorkshireman"

"Barbara McCandless's IBook Web Site" contributed by "funwithpix" which includes the statement that "This is a private Web site for the exclusive use of the CM consultants in my downline and others to whom I've given access."

I also reviewed several examples of Family Systems' instruction, marketing and website content materials. Based upon all the aforementioned material, I have concluded that Family Systems' IBOOK system is best described as "a web content publishing tool" which allows users